



# Financial Trends and Projections for FY2017 Budget Process

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JOINT MEETING OF THE NORTHAMPTON CITY  
COUNCIL AND SCHOOL COMMITTEE

MAYOR DAVID J. NARKEWICZ, JANUARY 28, 2016

# Agenda

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- Northampton Compared with Neighboring and/or Similar Size Communities for selected financial indicators
- Review of Revenue and Expenditure Trends
- Five Year Fiscal Stability Plan – General Fund
- Revenue and Expenditure Projections for Fiscal Year 2017
- Fiscal Year 2017 Budget Calendar
- Questions and Comments

# Northampton Financial Indicators

Comparisons with:

Agawam

Amherst

Chicopee

Easthampton

Greenfield

Holyoke

Longmeadow

West Springfield

Westfield

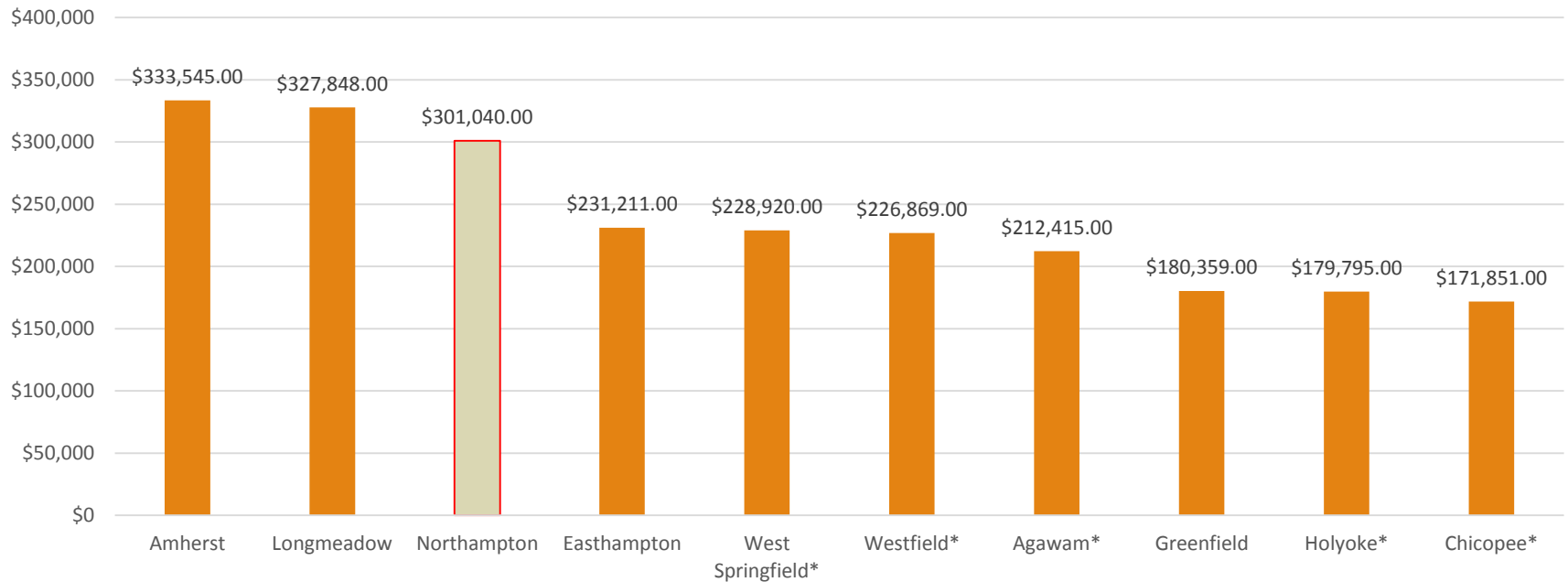
- FY2016 Average Single Family Home Value
- FY2016 Residential Tax Rates
- FY2016 Commercial Tax Rates
- FY2016 Average Single Family Home Tax Bill
- FY2010-FY2014 Median Household Income
- FY2016 Total Value of New Construction
- FY2016 Total New Growth
- FY2006-2017 Free Cash Trend for Northampton
- FY2010-FY2016 General Fund Reserves Trends
- Bond Rating Comparison
- Results of Recent Refunding and What It Says about Northampton

# Comparison with Neighboring Communities

## Single Family Home - Average Value - FY2016

State Average \$383,606

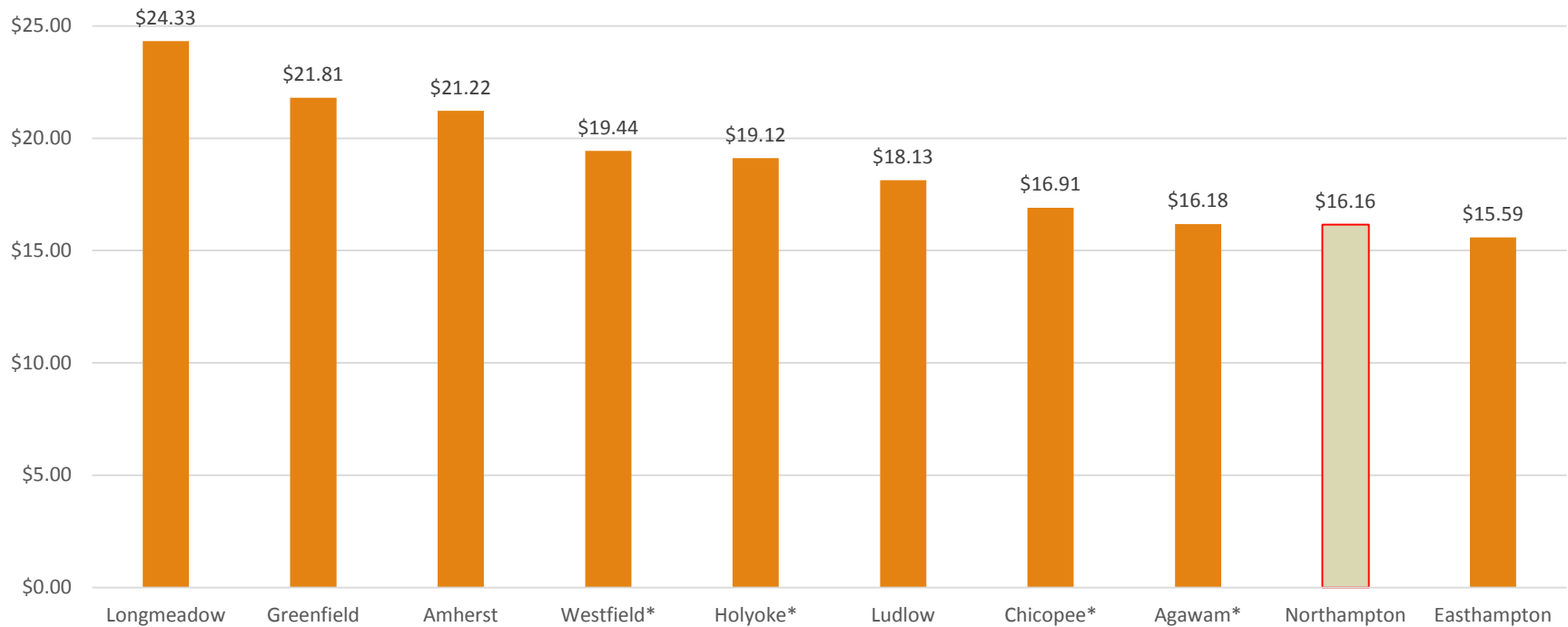
*\* Denotes split tax rate*



# Comparison with Neighboring Communities

## Residential Tax Rate - FY2016

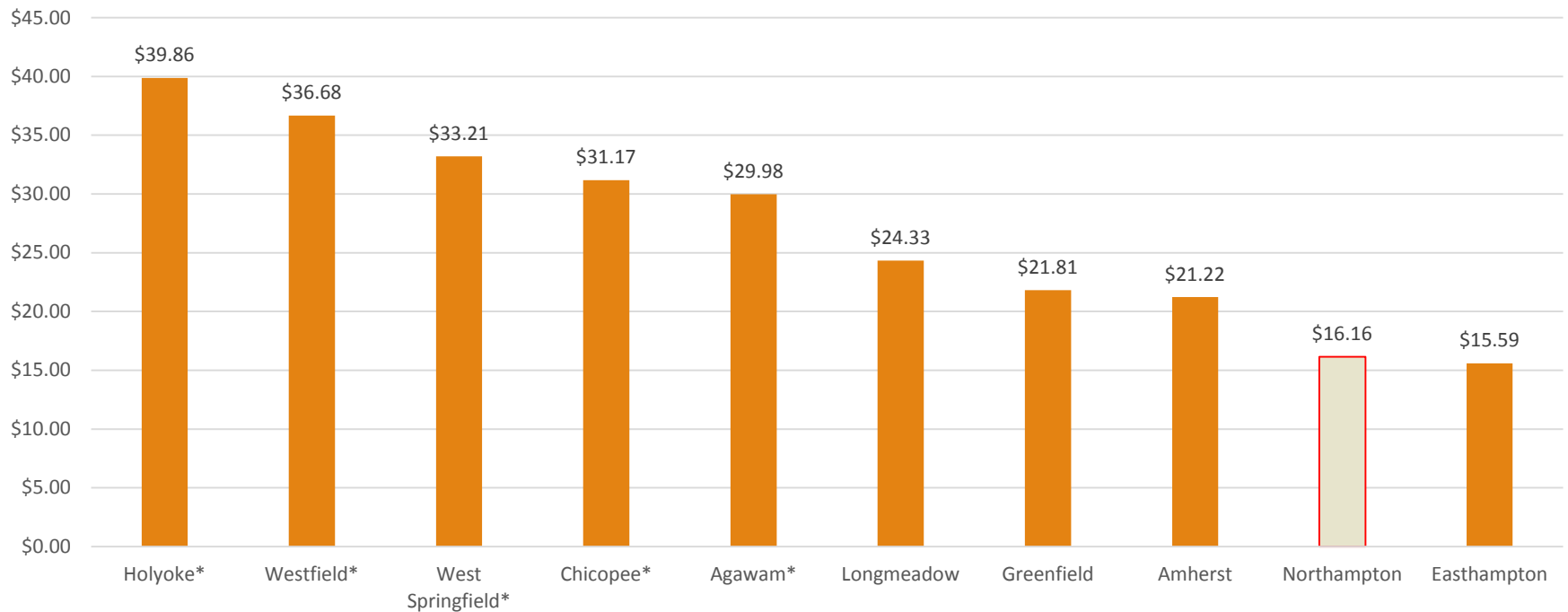
*\* Denotes split tax rate*



# Comparison with Neighboring Communities

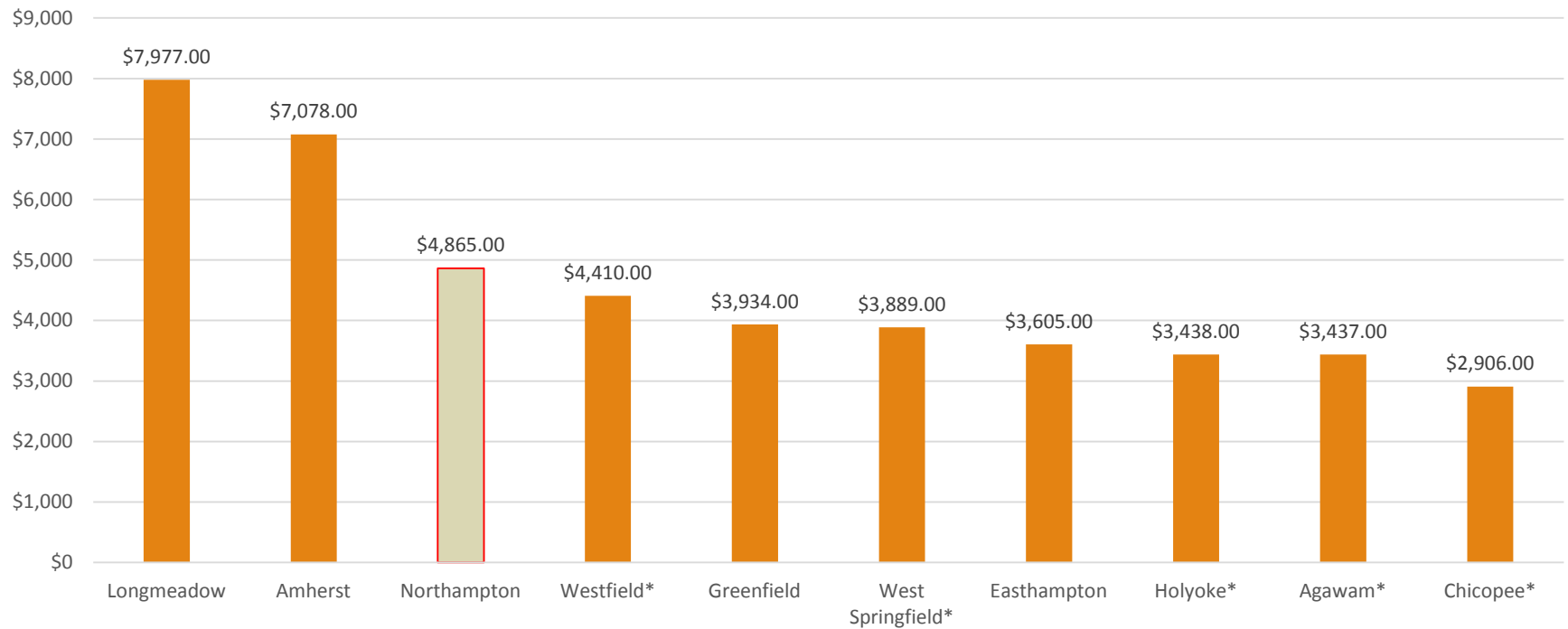
## Commercial Tax Rate - FY 2016

*\*denotes split tax rate*



# Comparison with Neighboring Communities

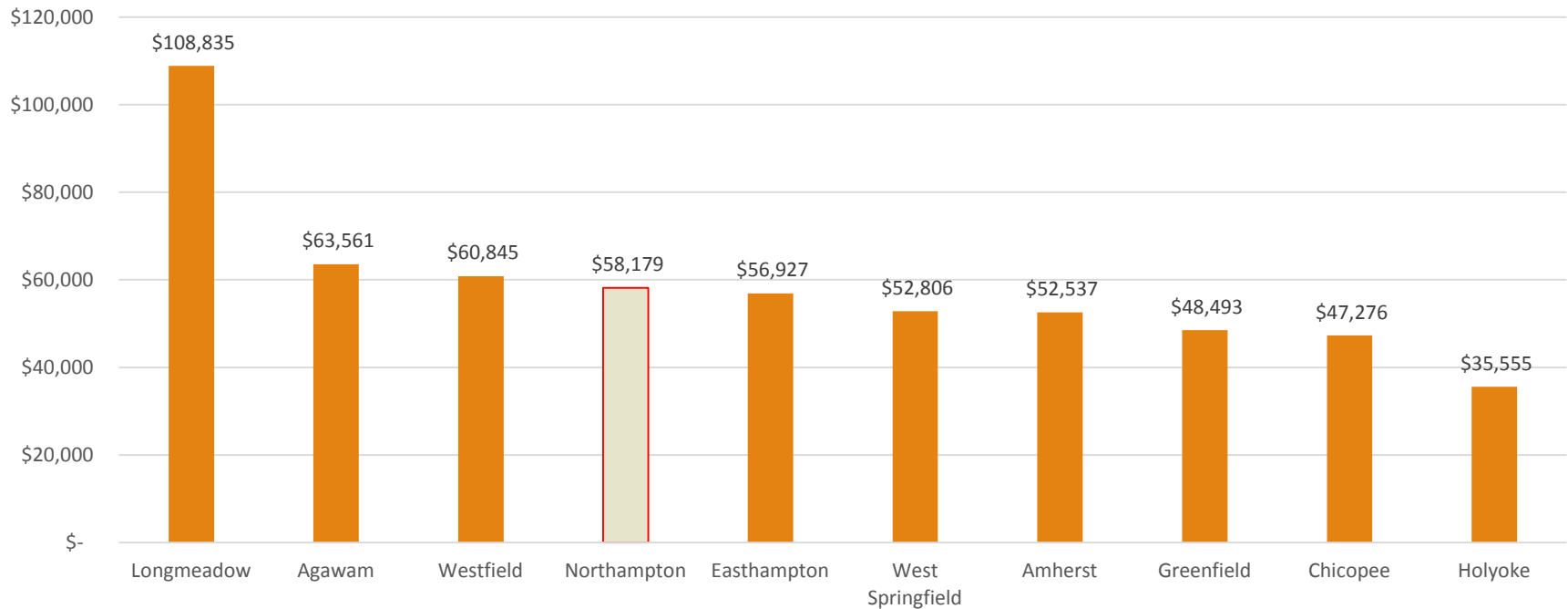
## Average Single Family Tax Bill - FY2016



# Comparison with Neighboring Communities

## Median Household Income 2010-2014

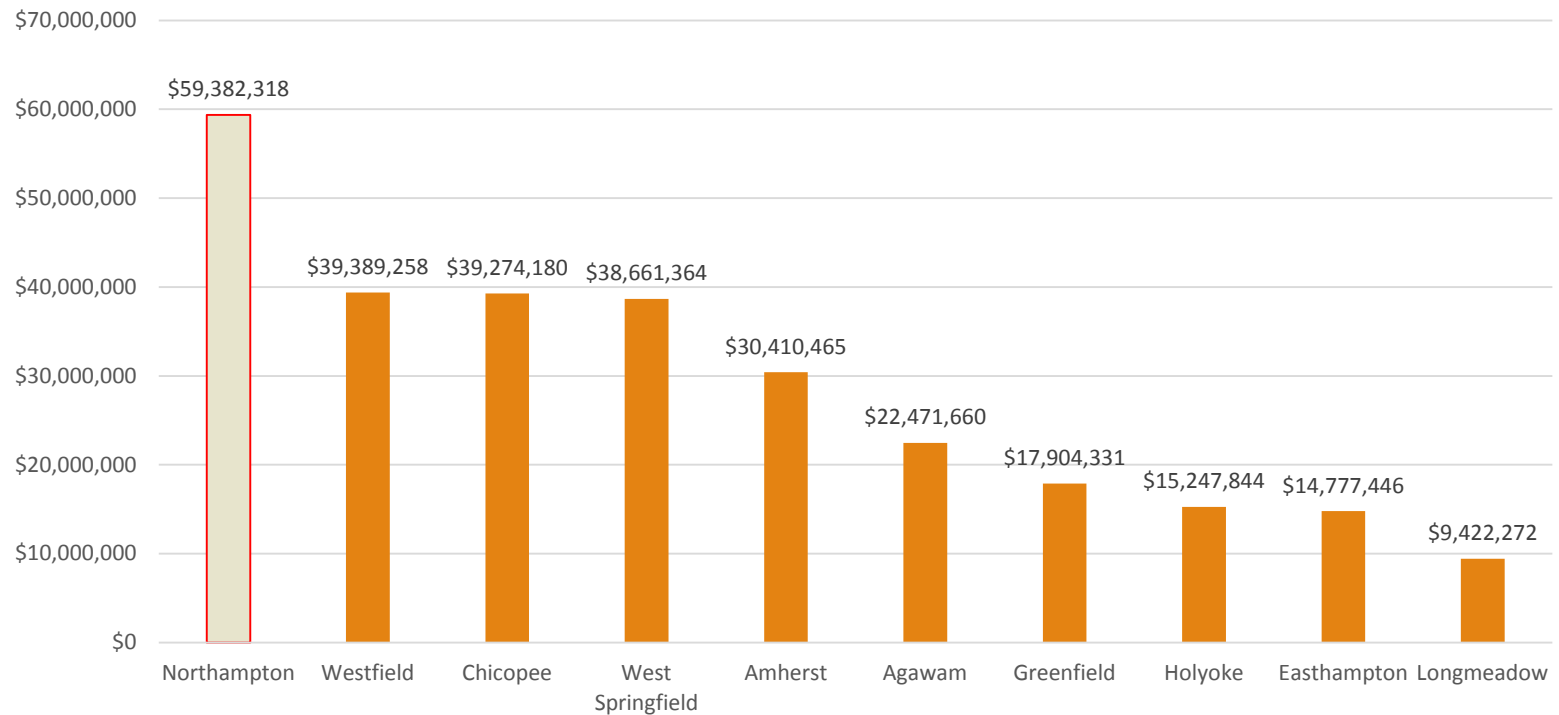
State Average \$67,846





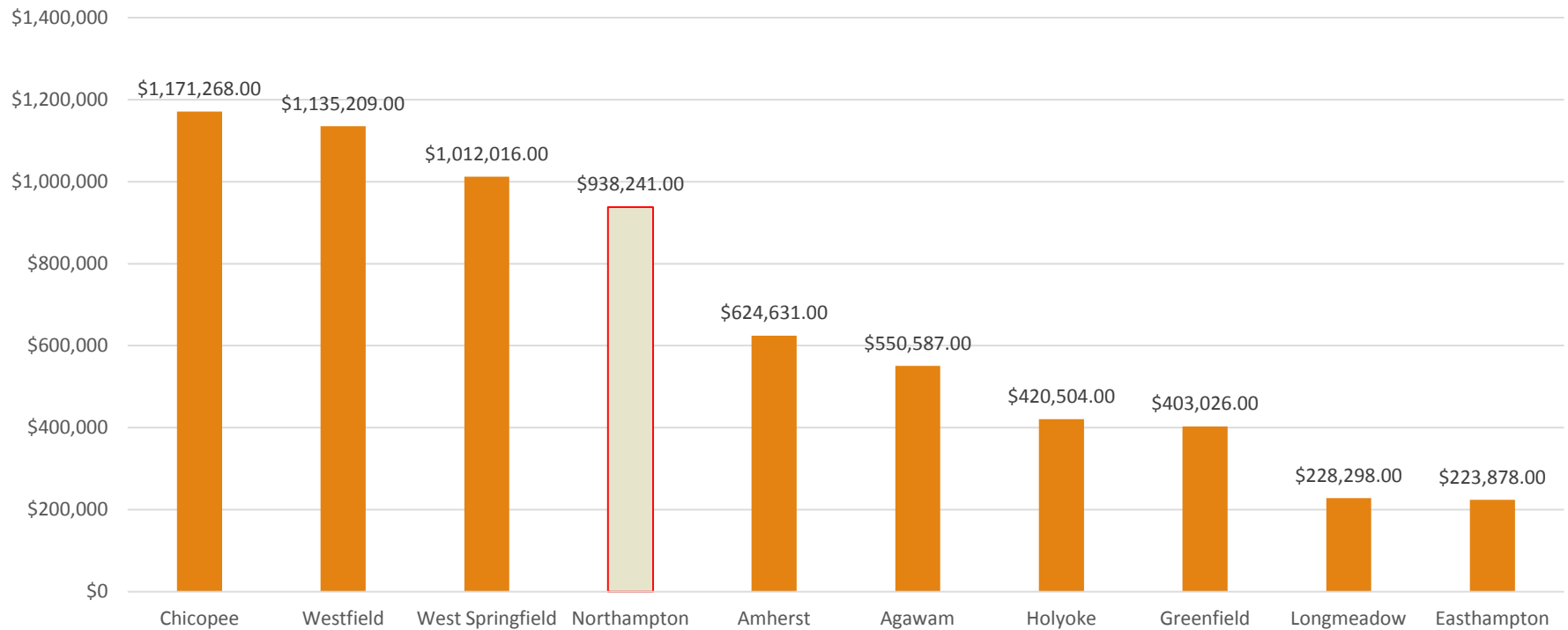
# Comparison with Neighboring Communities

## Value of New Construction – FY2016



# Comparison with Neighboring Communities

## Total New Growth Applied to Levy Limit – FY2016



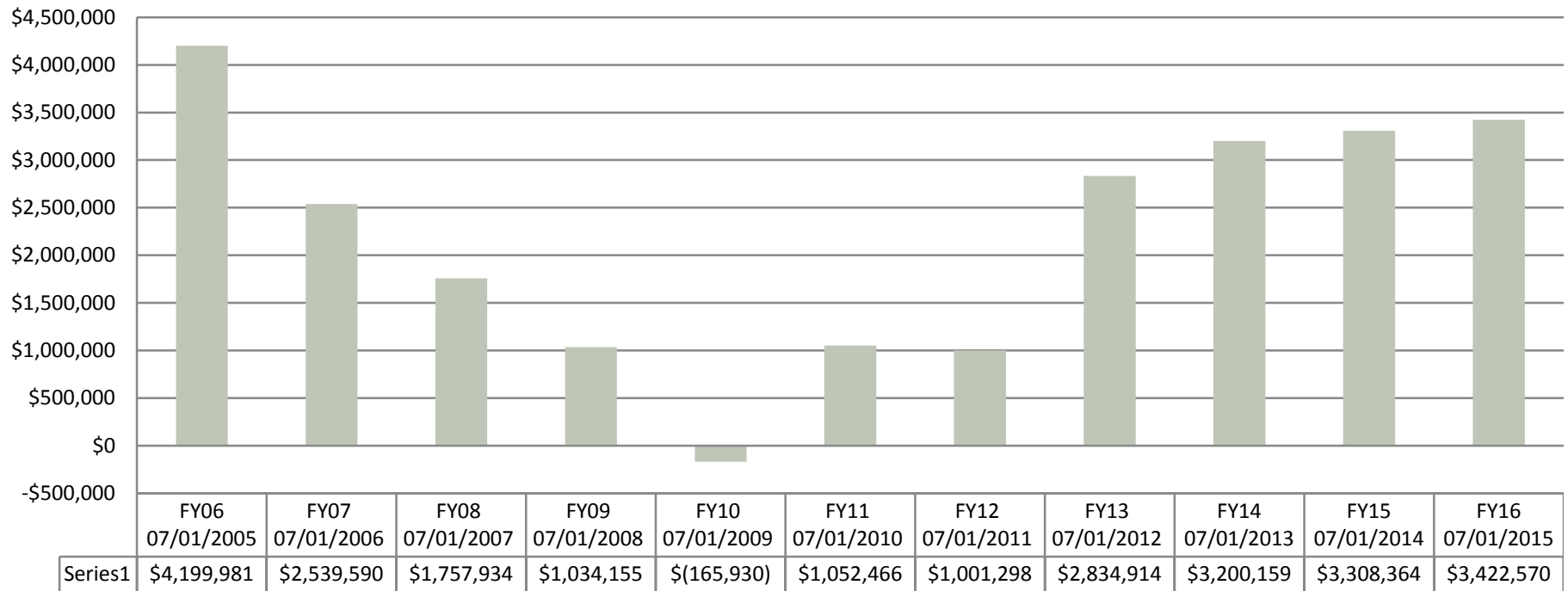
City of Northampton

# Certified Undesignated Fund Balance

(Free Cash)

## FY2006 to FY2016

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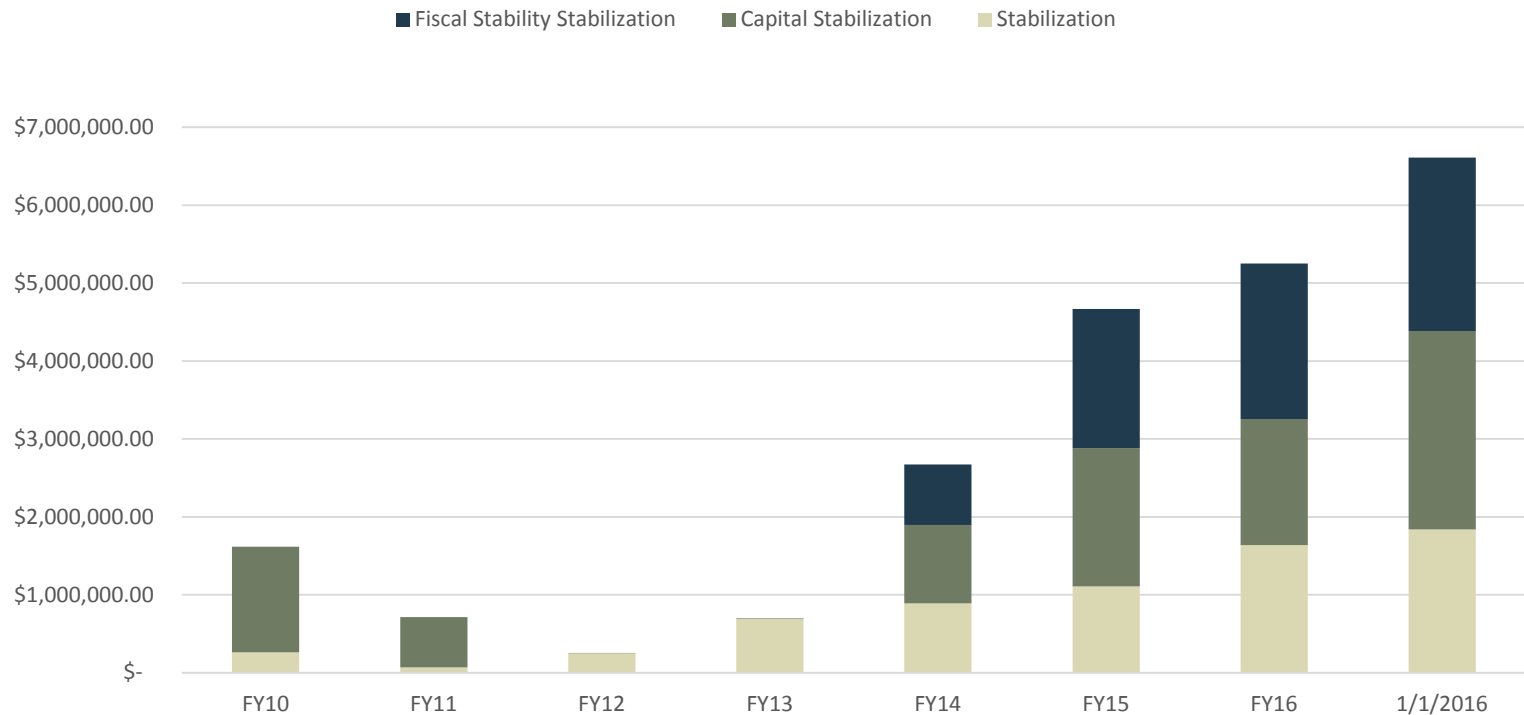


City of Northampton

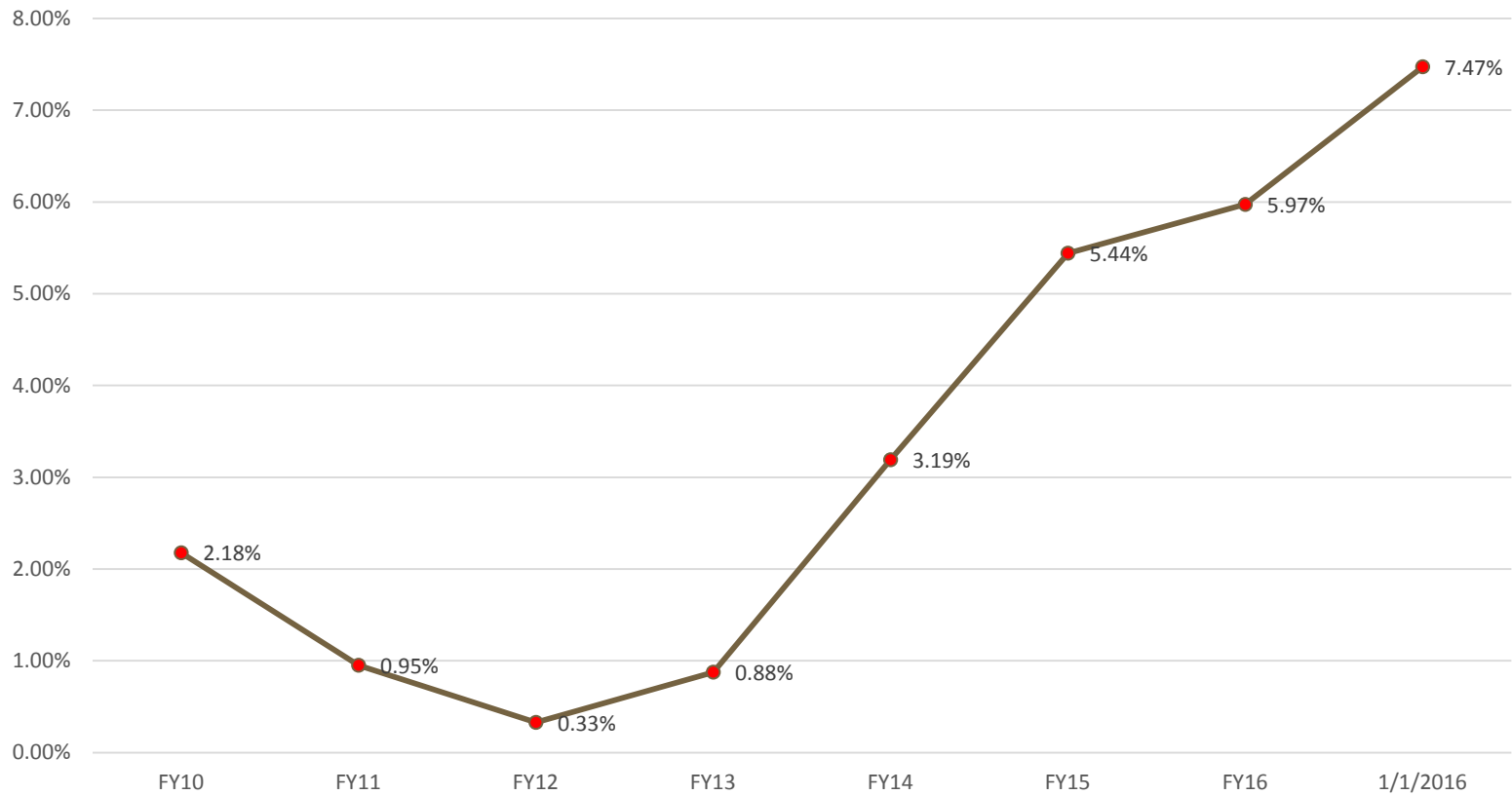
# General Fund Reserves History

FY2010 – FY2016

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# City of Northampton General Fund Stabilization Funds as % of General Fund Budget



# Comparison with Neighboring Communities

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Municipality	Standard and Poors Rating as of 2015
Agawam	AA+
Amherst	AA+
Holyoke	AA+
Northampton	AA+
Westfield	AA
Chicopee	AA-
Greenfield	AA-
West Springfield	AA-
Easthampton	A+

Municipality	Moody's Bond Rating as of 2015
Westfield	Aa1
Agawam	Aa2
Amherst	Aa2
Northampton	Aa2
Longmeadow	Aa2
Chicopee	Aa3
West Springfield	Aa3
Easthampton	A1
Greenfield	A1
Holyoke	A1

# What Our Bond Rating Tells Us:

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Most recent rating – December 2015 Standard & Poors Rating: AA+ stable

Strengths:

- Strong economy
- Strong management with strong financial policies and practices
- Strong budgetary performance with operating surpluses in general fund
- Strong budgetary flexibility with reserves and overrides
- Strong debt position with debt service at 6.1% of expenditures and low overall net debt and rapid amortization, with 80.4% of debt scheduled to be paid off in 10 years

Outlook:

- Stable outlook reflects strong local economy and very strong budgetary flexibility, favorable debt profile

What could lower our rating? “If Northampton fails to maintain strong budgetary flexibility and liquidity due to a decline in budgetary performance, we could lower the rating”. This means maintain healthy reserves, generate adequate free cash, revenues should outperform budgeted targets and expenditures should not exceed budgeted targets

# Our Bond Rating Helps the City Obtain Low Borrowing Rates:

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## **The December 23, 2015 Refunding (Refinance) of 2002, 2004 and 2007 Bond Issues (\$9,990,000):**

BEFORE the refunding, the average interest rates on the refunded bond issues were:

- October 15, 2002 Bonds: 3.519%
- November 15, 2004 Bonds: 3.486%
- March 15, 2007 Bonds: 3.796%

AFTER the refunding, the average interest rate was 1.364735%. The average interest rates on the bonds issued to refund the old debt, broken down by bond issue, are as follows:

- October 15, 2002 Bonds: 0.965%
- November 15, 2004 Bonds: 1.117%
- March 15, 2007 Bonds: 1.607%

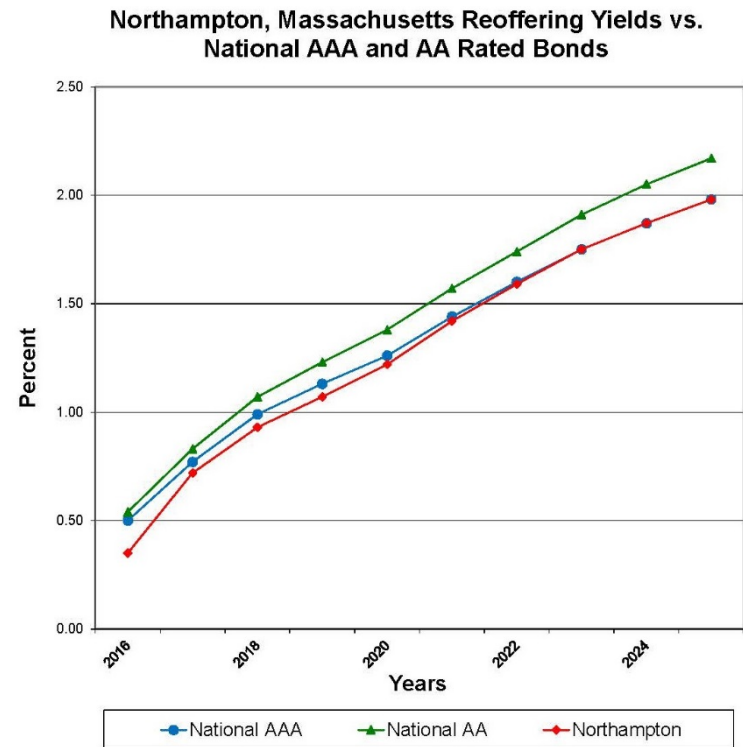
**TOTAL MULTI-YEAR SAVINGS TO THE CITY FOR THE REFUNDING WAS: \$670,478**



# Comparative graph showing how the City's recent bond yields compared with those of AA and AAA rated municipal bonds around the country

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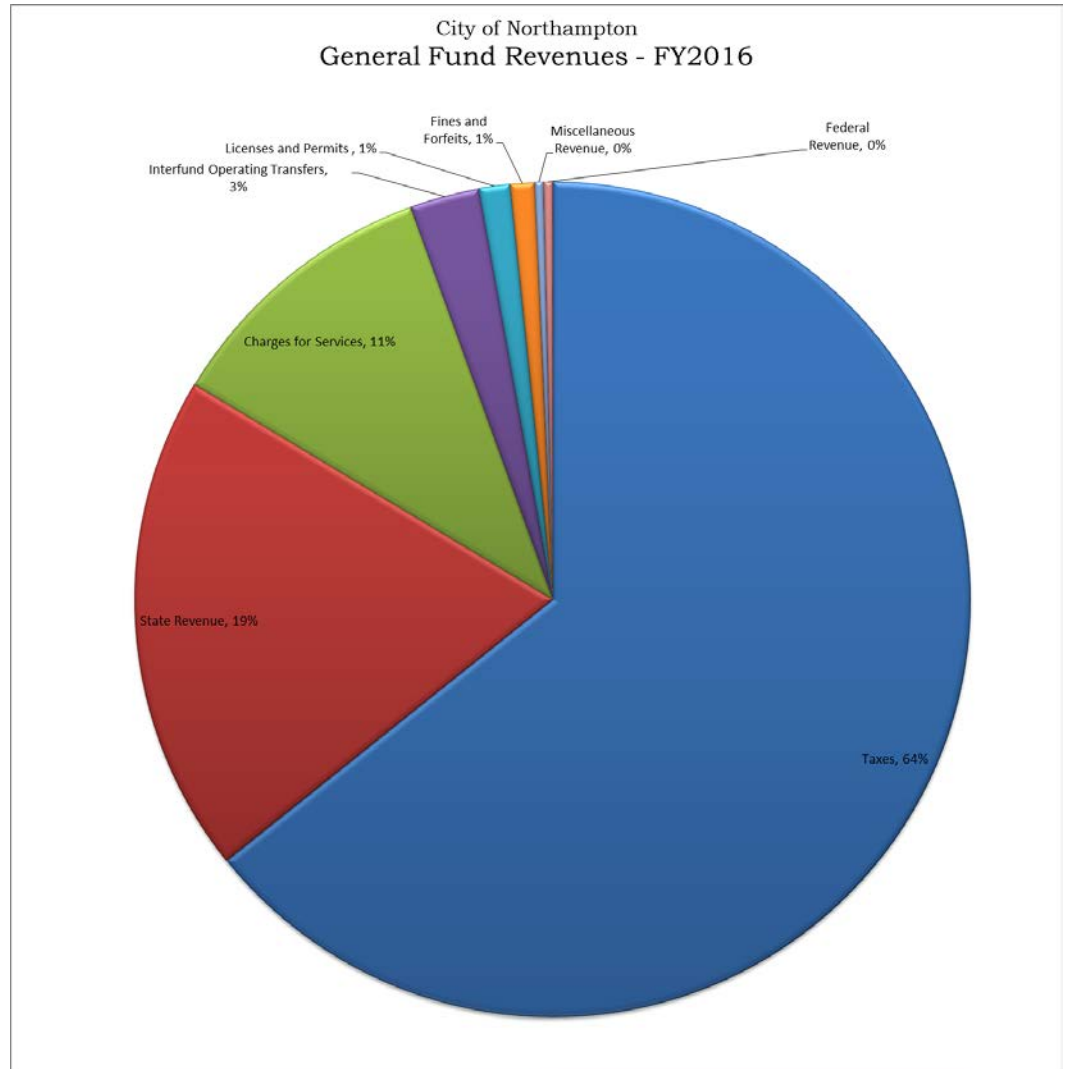
Investors are willing to take a lower return on their investment in the City of Northampton than they are with AA-rated municipal bonds and even AAA-rated municipal bonds on the short end (years 1-7), and about the same as AAA-rated bonds on the longer end (years 8-10).



# Revenues

## General Fund

Fiscal Year 2016 - Revenues		
Taxes	56,811,280	64.25%
State Revenue	17,122,407	19.36%
Charges for Services	9,611,333	10.87%
Interfund Operating Transfers	2,378,884	2.69%
Licenses and Permits	1,065,750	1.21%
Fines and Forfeits	825,000	0.93%
Miscellaneous Revenue	299,365	0.34%
Federal Revenue	310,000	0.35%
	88,424,019	100.00%



# Key Revenues

New Growth

Uncollected Taxes

Motor Vehicle Excise

Hotel/Motel and Meals Tax

Charges for Services:

- Parking

- Ambulance

- Permits for Inspections

Fines

Enterprise Fund Indirects

Investment Income

NET State Aid

Unrestricted General

Government Aid

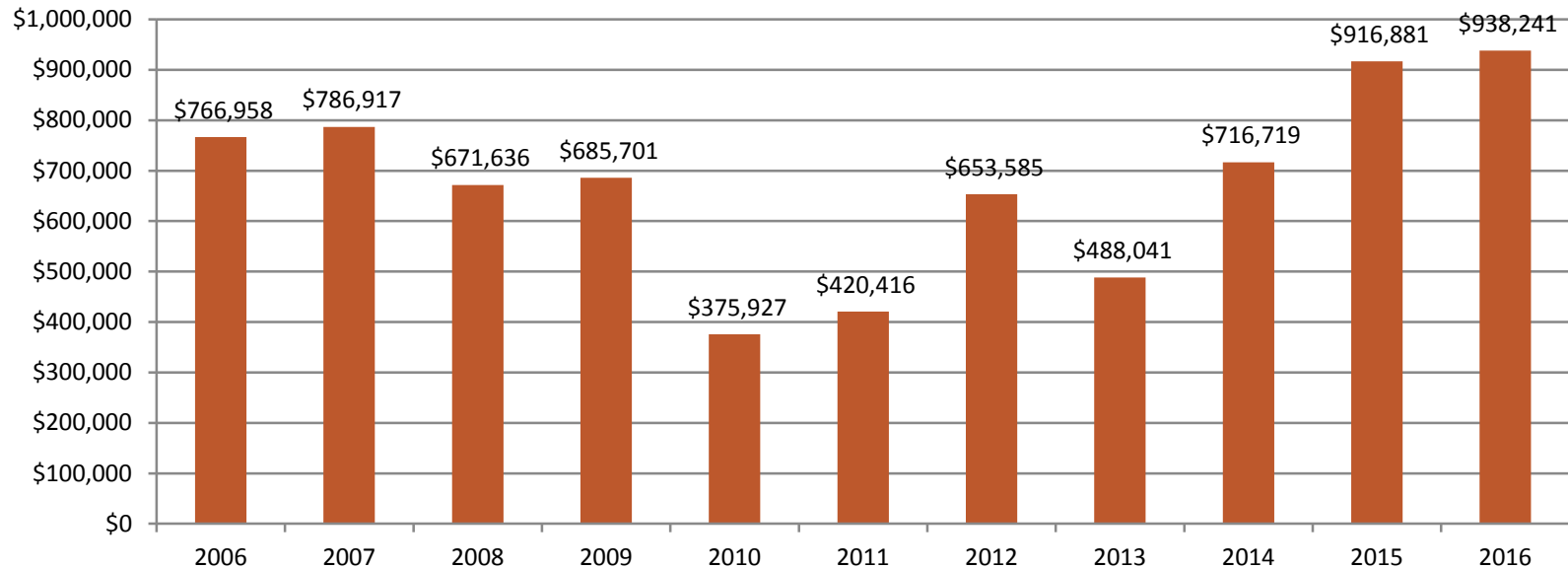
Chapter 70



# Tax Base Indicator

## City of Northampton New Growth Trend

FY2006 - FY2016



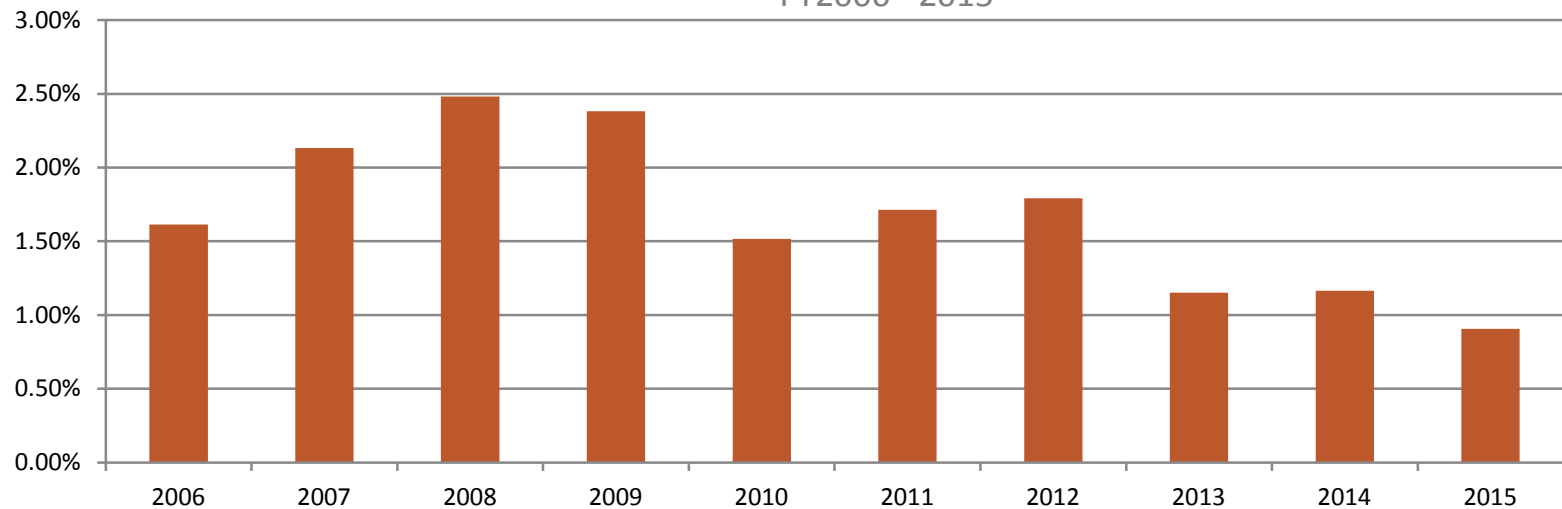
# Tax Base Indicator

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City of Northampton

## Uncollected Taxes as a Percentage of Net Property Tax Levy

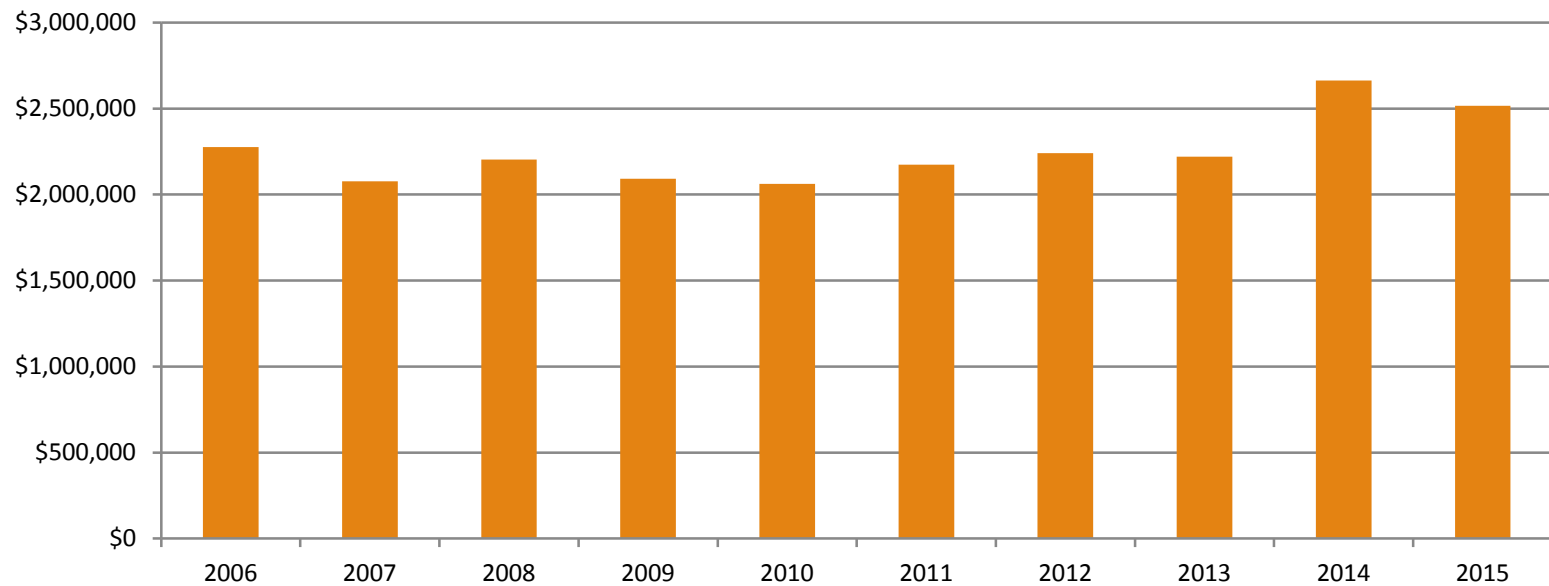
FY2006 - 2015



# Trends in Taxes

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## City of Northampton Motor Vehicle Excise FY2006 - FY2015



# Trends in Taxes

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City of Northampton

## Hotel-Motel and Meals Tax

FY2006 - FY2015

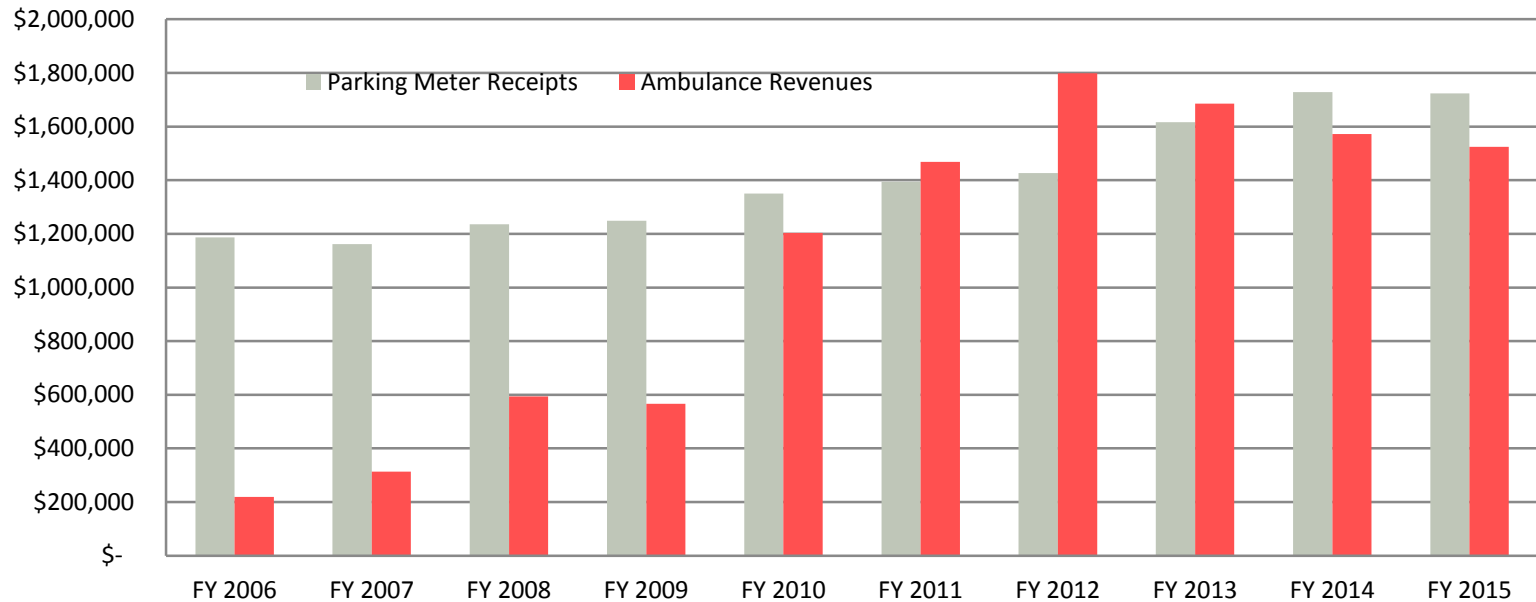


# Trends in Charges for Services

City of Northampton

## Parking and Ambulance Charges

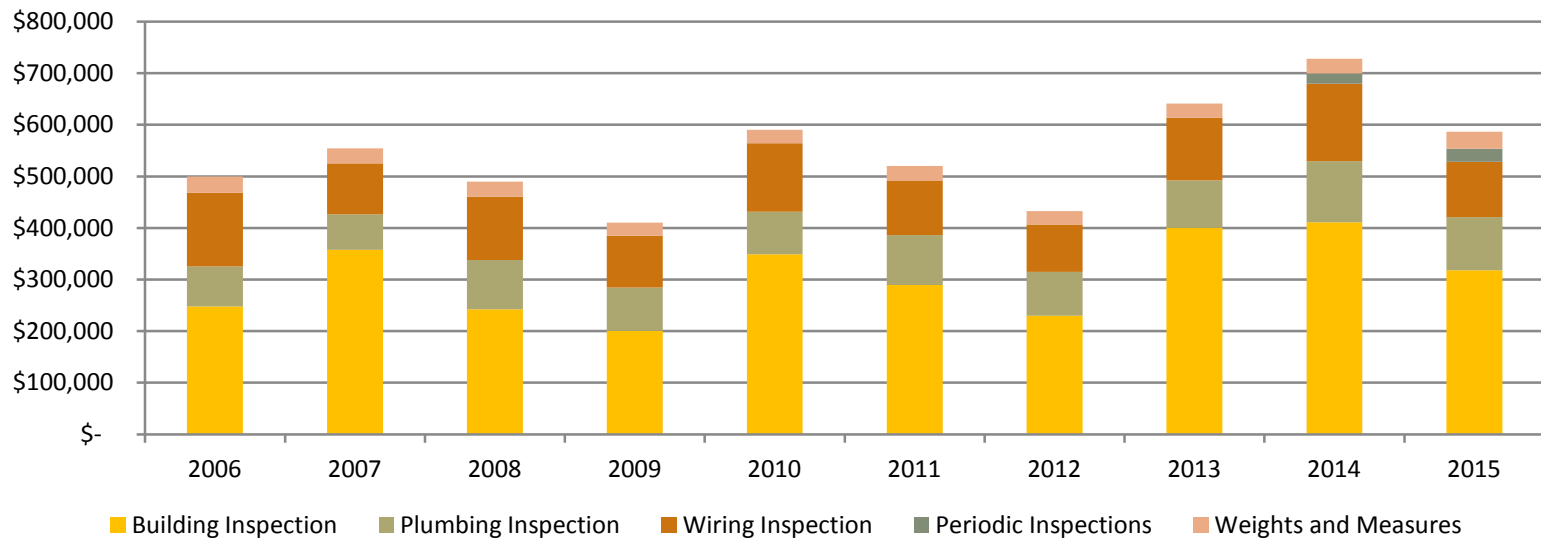
FY2006 - FY2015



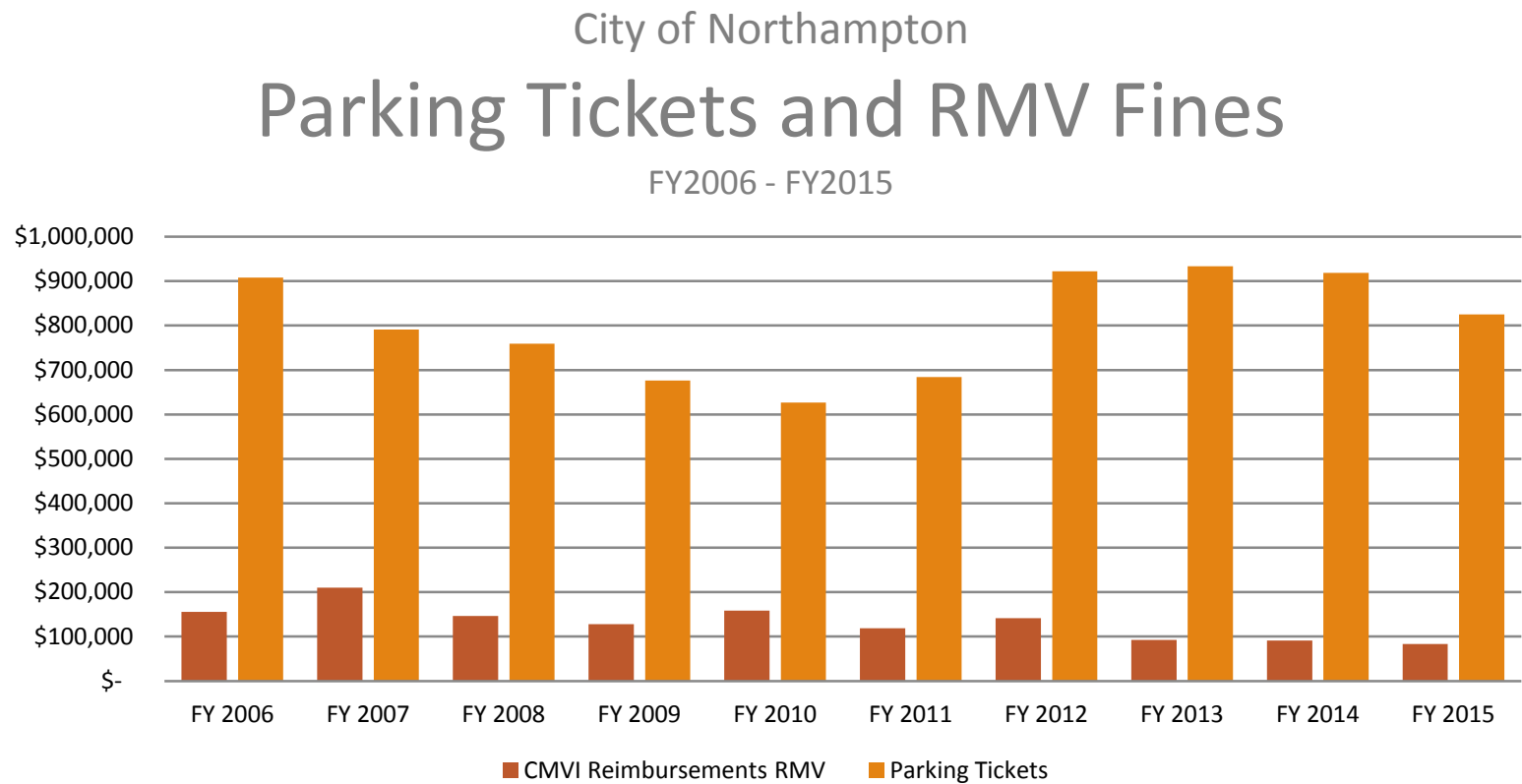


# Trends in Permits

City of Northampton  
Building, Plumbing, Wiring and Weights and  
Measures Permit Fees  
FY2006 - FY2015



# Trends in Fines

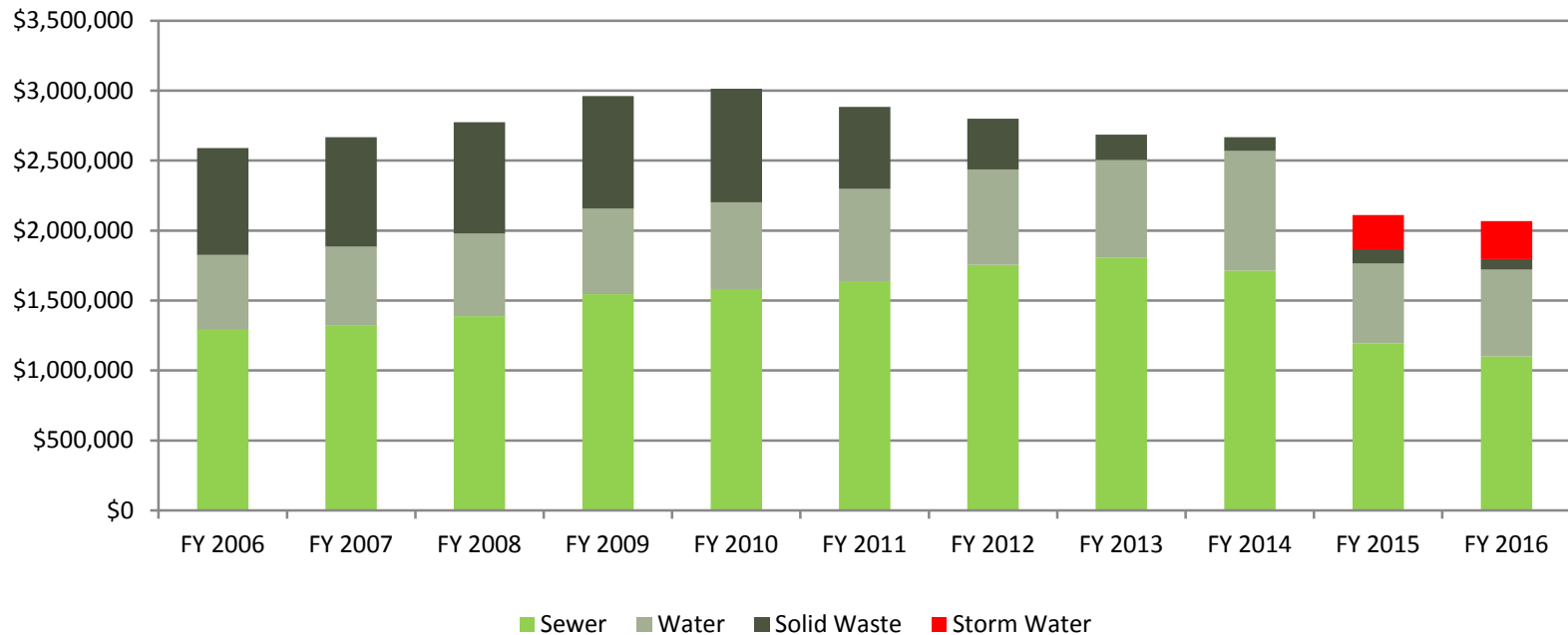


# Trends in Indirects

City of Northampton

## Enterprise Fund Indirects

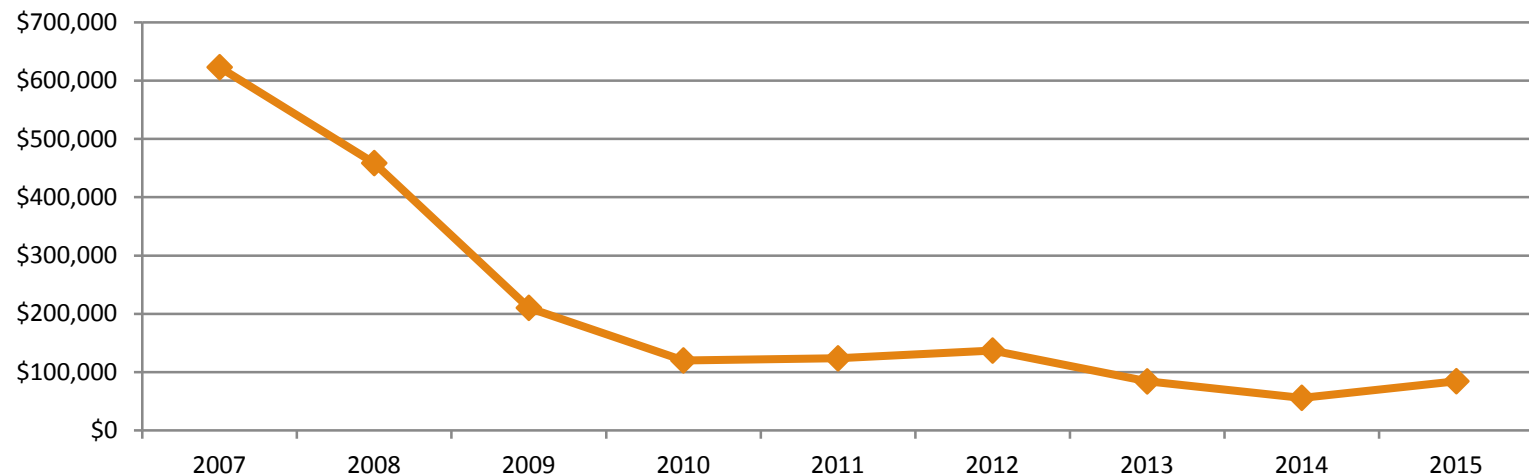
FY2006 - FY2016



# Trends in Interest Income

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## City of Northampton Investment Income FY2007 - FY2015



# Trends in State Aid

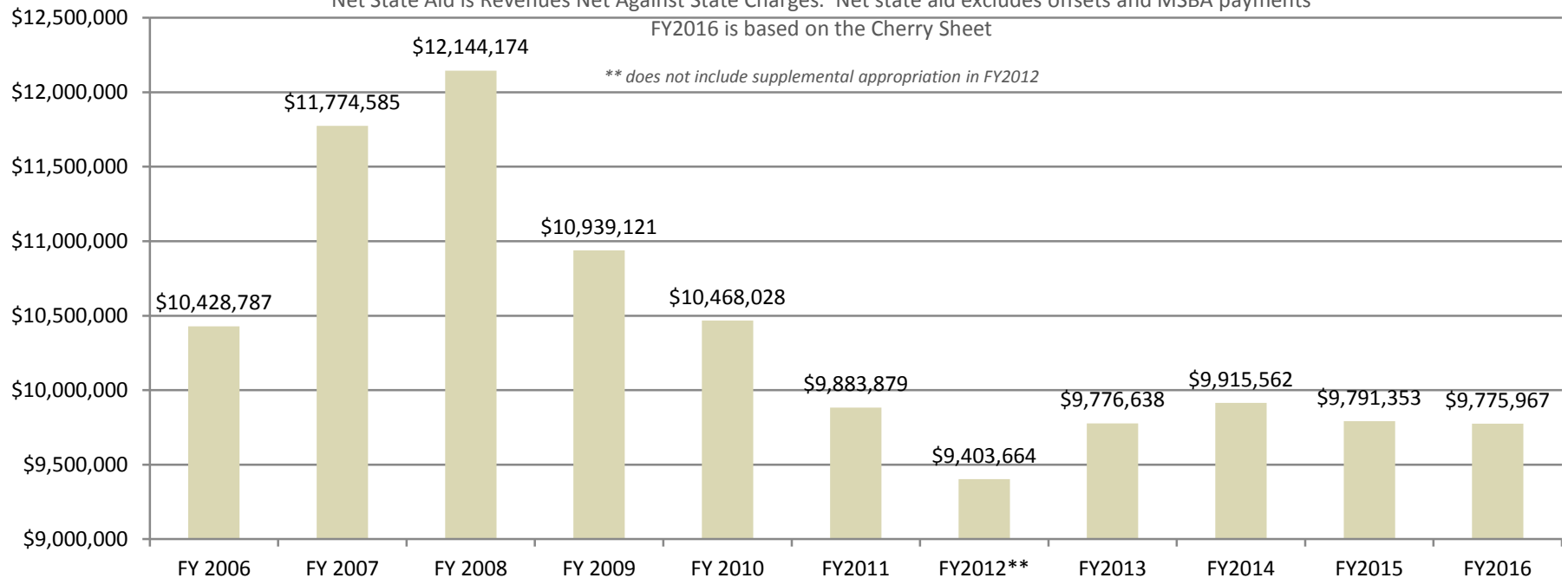
City of Northampton

## Net State Aid from FY2006 - FY2016

Net State Aid is Revenues Net Against State Charges. Net state aid excludes offsets and MSBA payments

FY2016 is based on the Cherry Sheet

*\*\* does not include supplemental appropriation in FY2012*



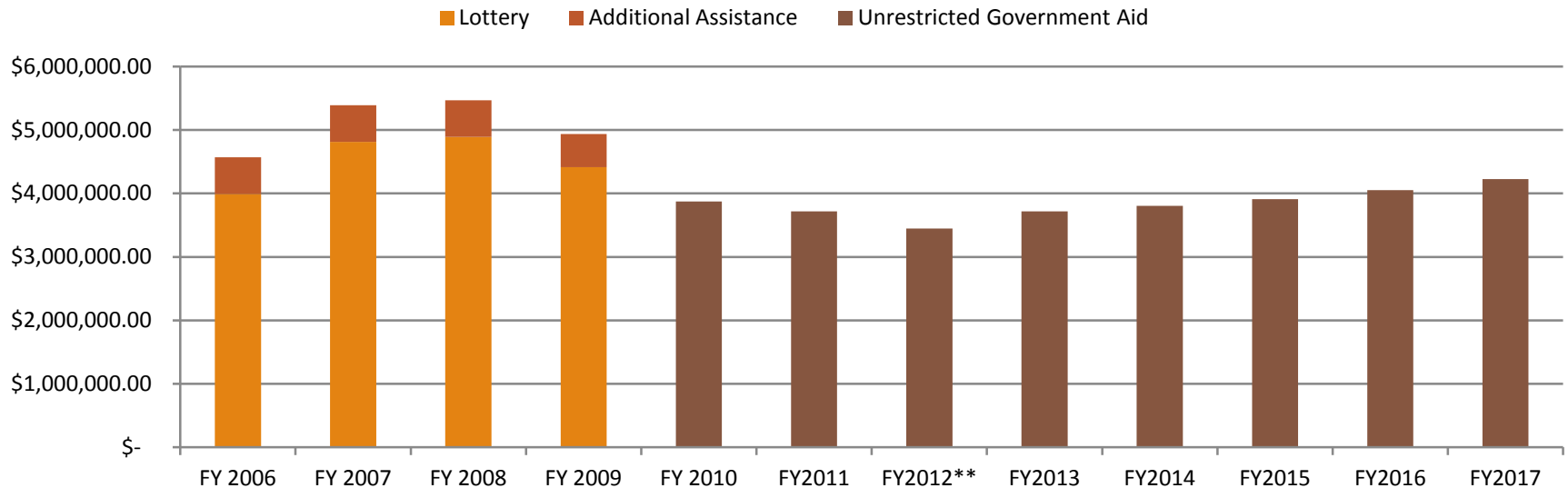
# Trends in State Aid

## City of Northampton Unrestricted Local Aid from the State

FY2006 to FY2017

FY2017 represents Governor's Proposed Budget – January 2016

Increase in UGGA for FY17 = \$174,229 or 4.3%



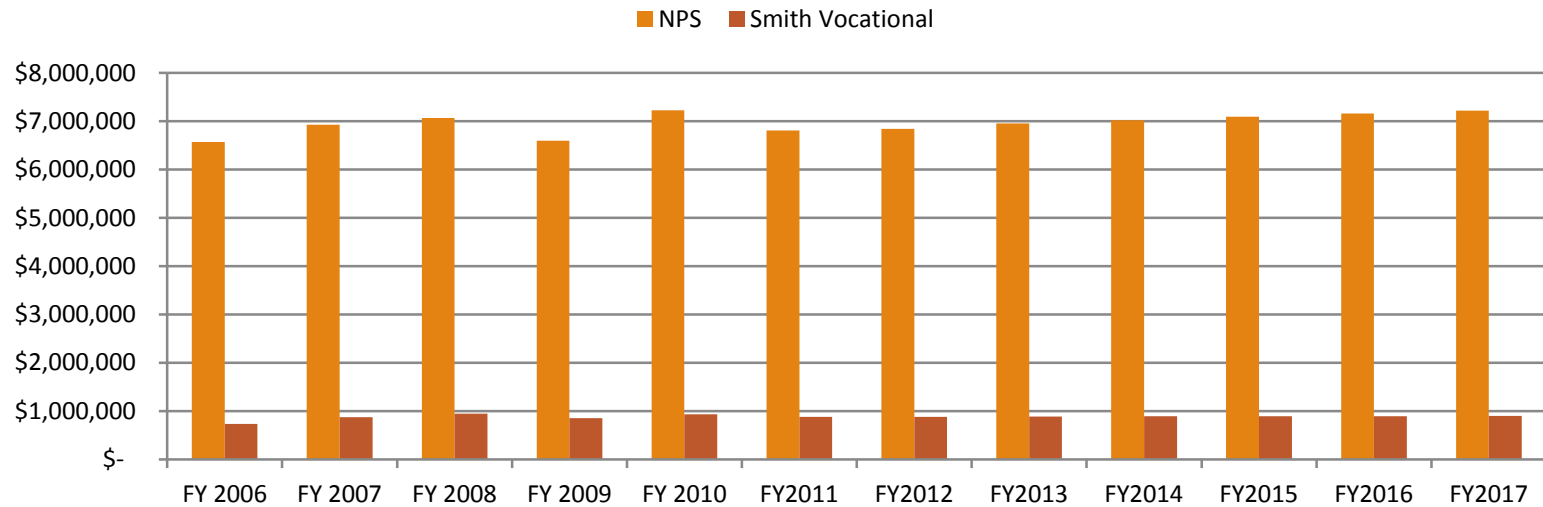
# Trends in State Aid

## City of Northampton C.70 Education Aid

FY2016 - FY2017

FY2017 Represents Governor's Proposed Budget – January 2016

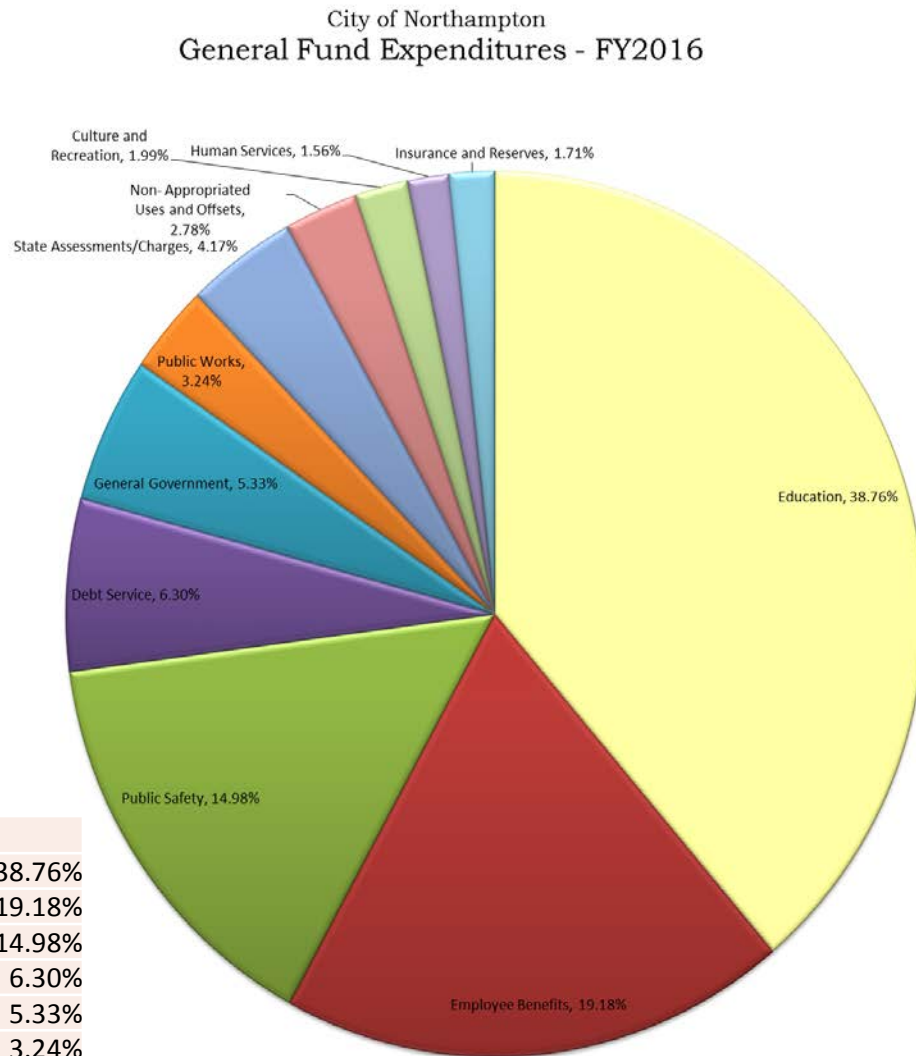
Increase in Chapter 70 - \$56,900 or 0.7%



# Expenditures

## General Fund

Fiscal Year 2016 - Expenditures		
Education	34,273,843	38.76%
Employee Benefits	16,961,524	19.18%
Public Safety	13,242,037	14.98%
Debt Service	5,569,554	6.30%
General Government	4,712,529	5.33%
Public Works	2,867,937	3.24%
State Assessments/Charges	3,683,901	4.17%
Non-Approp Uses and Offsets	2,456,421	2.78%
Culture and Recreation	1,763,478	1.99%
Human Services	1,380,201	1.56%
Insurance and Reserves	1,512,594	1.71%
<b>TOTAL EXPENDITURES</b>	<b>88,424,019</b>	<b>100.00%</b>





# Key Expenditures

Education

Outgoing Charter School and  
School Choice Tuition

Employee Benefits

Health Insurance

Retirement Assessment

Public Safety

Debt Service

General Government

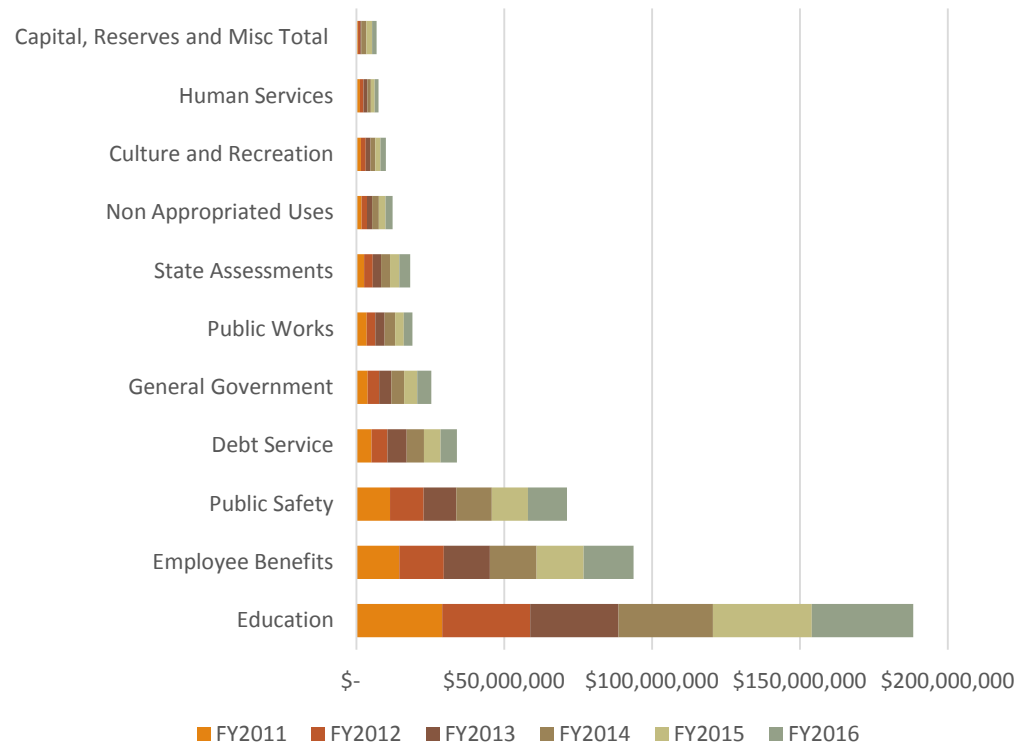
Public Works

Culture and Recreation

Human Services

## City of Northampton General Fund Expenditures by Category

FY2011 - FY2016



# The Total Cost of Education – 54.3%

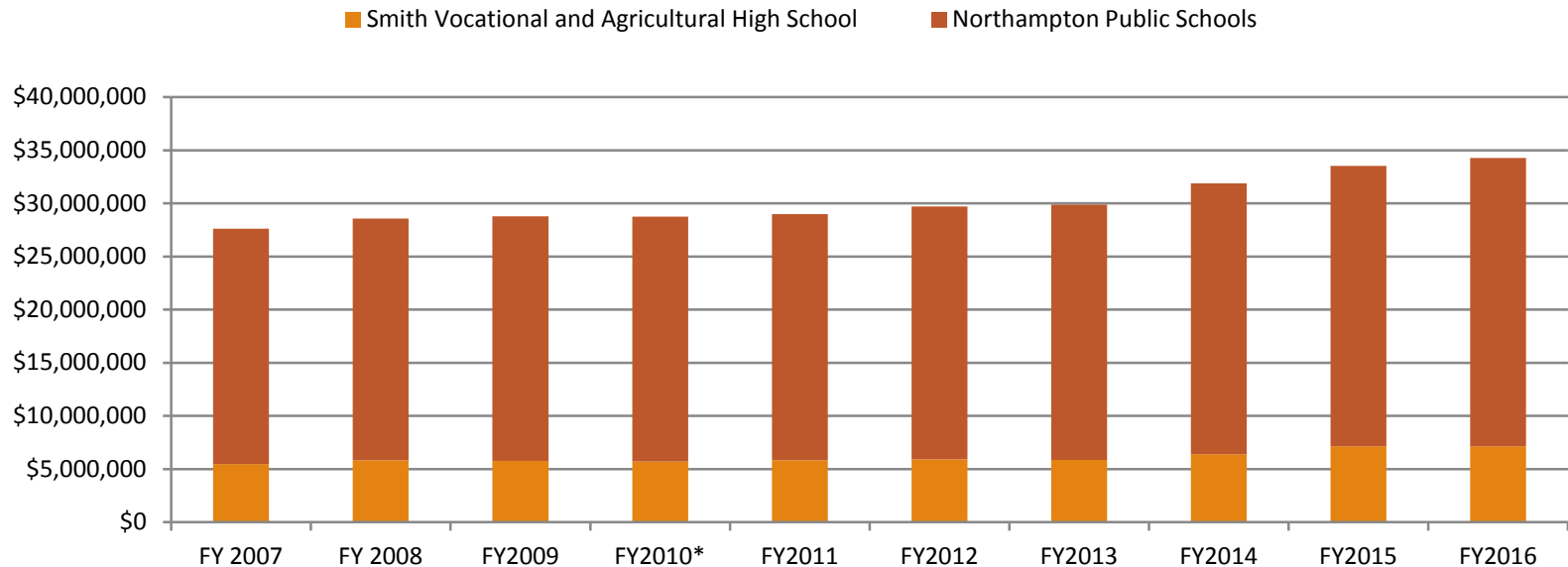
The \$34.2 million in the General Fund for Northampton Public Schools and Smith Vocational and Agricultural School shown in the pie chart reflect only direct operating expenses. A more accurate total spending on education must also include the following expenditures that are reflected in other budgets within the General Fund:

<b>Additional Spending Reflected in City Budget</b>	<b>NPS</b>	<b>SVAHS</b>	<b>Total</b>
Employee Benefits	\$ 5,934,352	\$ 1,352,018	\$ 7,286,370
Insurance (Property, vEhicle, Liability)	\$ 127,961	\$ 40,075	\$ 168,036
School Crossing Guards (Police Budget)	\$ 54,791		\$ 54,791
Debt for School Capital Projects	\$ 1,934,300	\$ 329,387	\$ 2,263,687
General Government (IT, HR, Auditor, etc.)	\$ 506,213	\$ 157,520	\$ 663,733
Central Services	\$ 54,136	\$ 12,438	\$ 66,574
Charter School Tuition for Outgoing Northampton Students	\$ 2,706,697		\$ 2,706,697
School Choice Tuition for Outgoing Northampton Students	\$ 515,576		\$ 515,576
<b>TOTAL ADDITIONAL SPENDING ON EDUCATION IN FY2016</b>	<b>\$ 11,834,026</b>	<b>\$ 1,891,438</b>	<b>\$ 13,725,464</b>
<b>LINE ITEM SPENDING ON EDUCATION IN FY2016</b>	<b>\$ 27,144,501</b>	<b>\$ 7,129,342</b>	<b>\$ 34,273,843</b>
<b>TOTAL EDUCATIONAL SPENDING IN FY2016</b>	<b>\$ 38,978,527</b>	<b>\$ 9,020,780</b>	<b>\$ 47,999,307</b>

- *Note: These numbers also do not include the cash capital projects the city regularly funds for the schools.*

# Education – Northampton Appropriation

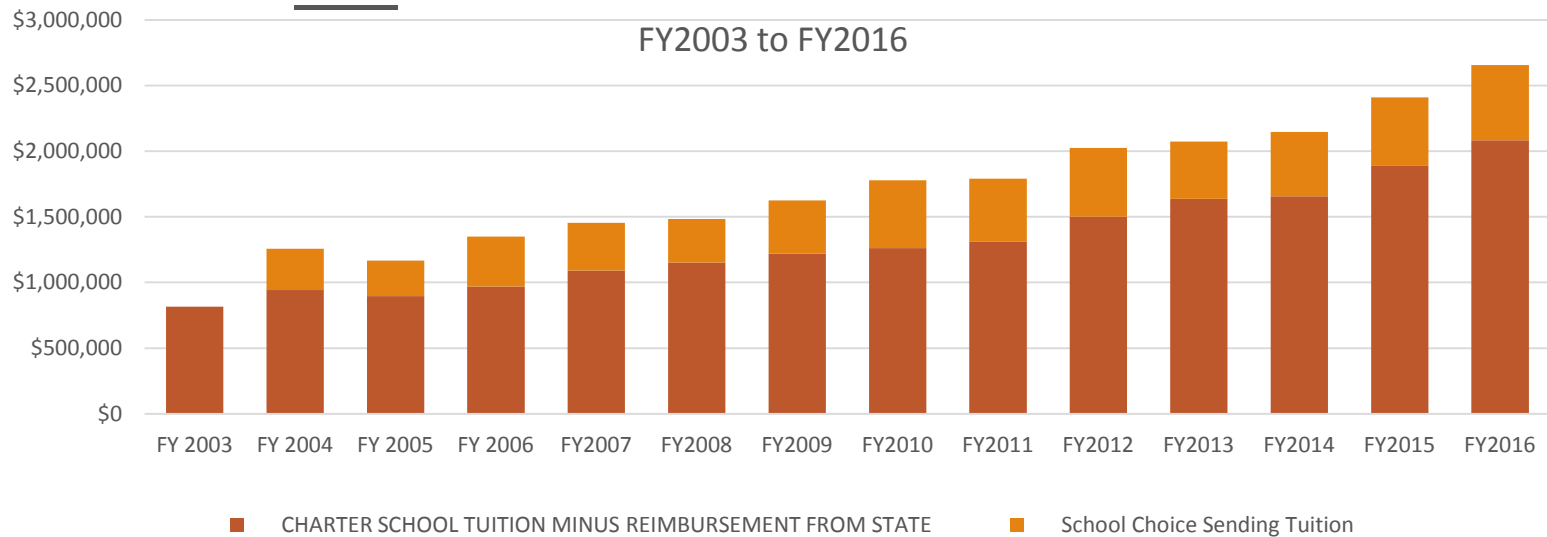
## City of Northampton General Fund Appropriation for Education FY2007 – FY2016



# Education – Net Outgoing Charter and Choice

## City of Northampton Charter School and Outgoing School Choice Tuition

### NET of State Charter Reimbursement



**City of Northampton - Outgoing Charter and School Choice Students and Dollars  
Compared with Incoming School Choice Students and Dollars**

	<b>FY2016</b>
Charter Students	203
Charter School Sending Tuition	\$ 2,477,559
Charter School Chapter 46 Aid	\$ (212,940)
Charter School Facilities Aid	\$ (180,951)
CHARTER SCHOOL TUITION MINUS REIMBURSEMENT FROM STATE	\$ 2,083,668
 School Choice Outgoing Students	 85
School Choice Sending Tuition	\$ 572,388
 <b>Total Charter and Choice Students</b>	 <b>288</b>
<b>TOTAL NET CHARTER AND SCHOOL CHOICE OUTGOING TUITION</b>	<b>\$ 2,656,056</b>
 School Choice Incoming Students	 219
<b>TOTAL INCOMING SCHOOL CHOICE TUITION</b>	<b>\$ 1,716,289</b>
 <b>NET GAIN OR LOSS FOR NORTHAMPTON in Students</b>	 <b>-69</b>
<b>NET GAIN OR LOSS FOR NORTHAMPTON in Dollars</b>	<b>\$ (939,767)</b>

# Education – How much per pupil comes in and goes out in FY2016 via Charter and Choice?

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Average Outgoing Tuition with a Charter Student: \$12,227.09

Average Outgoing Tuition with a School Choice Student: \$7,836.94

Average Incoming Tuition with a School Choice Student: \$6,733.98

Outgoing Students Thru Choice and Charter: 288

Incoming Students Thru Choice: 219

Net Loss in Students: 69

*We lose more students than we bring in and those we bring in, come with less dollars than those that leave.*

**NOTE: In FY2014, our NPS per pupil expenditure was \$13,198.**

# Education –

## Charter Reimbursement Falls Short

FY2015 short \$251,510 and FY2016 short \$193,839

### Massachusetts Department of Elementary and Secondary Education Office of School Finance

#### FY15 Charter School Tuition Payments and Reimbursements for Sending Districts (Q4)

					STATE AID TO DISTRICT				NET DISTRICT COST	STATE AID SUMMARY				STATE AID AT FULL FUNDING
DISTRICT	FTE	LOCAL FOUNDATION TUITION	LOCAL FACILITIES TUITION	LOCAL PAYMENT	100/25/25/25/25 INCREASED TUITION AID	AID PRO RATION	FACILITIES AID	TOTAL CHARTER AID		STATE PAYMENT FOR PRIVATE/SIBLING/HOMESCHOOLED	100/25/25/25/25 INCREASED TUITION AID	TOTAL FACILITIES AID	TOTAL STATE AID	
NORTHAMPTON	203.3	2,074,184	172,878	2,247,062	186,039	71%	172,878	358,917	1,888,145	108,166	186,039	181,239	467,083	610,427

#### Preliminary FY16 Charter School Tuition Payments and Reimbursements for Sending Districts (Q2)

					STATE AID TO DISTRICT				NET DISTRICT COST	STATE AID SUMMARY				STATE AID AT FULL FUNDING
DISTRICT	FTE	LOCAL FOUNDATION TUITION	LOCAL FACILITIES TUITION	LOCAL PAYMENT	100/25/25/25/25 INCREASED TUITION AID	INCREASED AID PRO RATION	FACILITIES AID	TOTAL CHARTER AID		STATE PAYMENT FOR PRIVATE/SIBLING/HOMESCHOOLED	100/25/25/25/25 INCREASED TUITION AID	TOTAL FACILITIES AID	TOTAL STATE AID	
NORTHAMPTON	203.0	2,296,608	180,951	2,477,559	212,940	52%	180,951	393,891	2,083,668	0	212,940	180,951	393,891	587,730

# Education – Foundation Budget Review Commission

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Education Reform Act of 1993 established the foundation budget

Since then, some assumptions contained in the formula have become outdated:

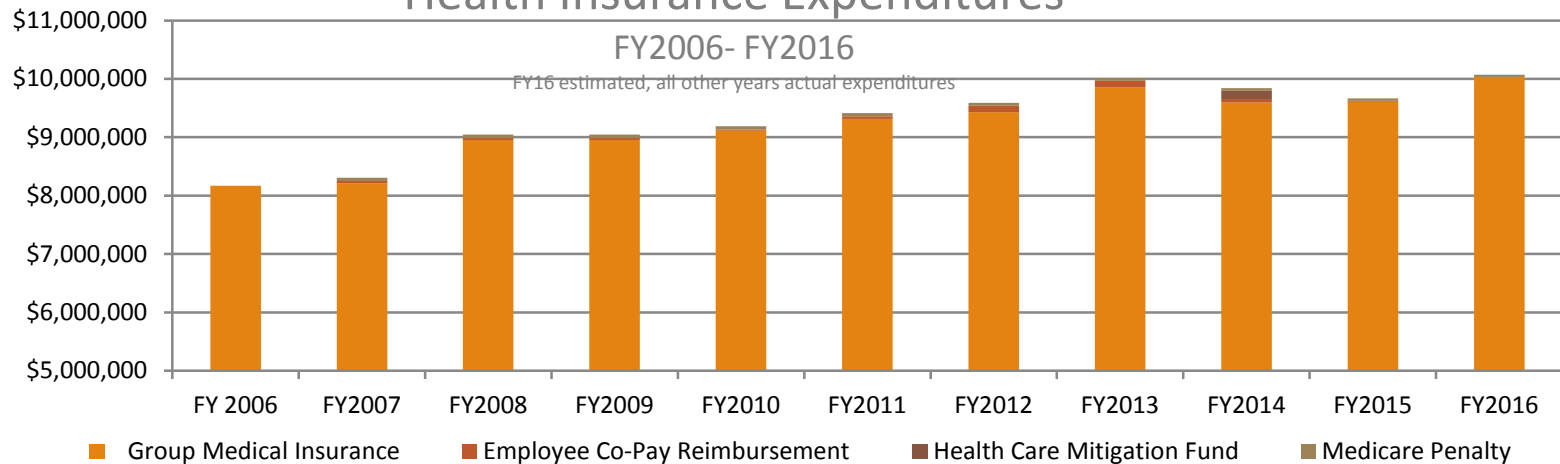
Health Insurance and Special Education have far surpassed the assumptions built into the formula and as a result have significantly reduced the resources available to support other key school investments.

The amounts intended for services to ELL and low-income students do not reflect the amount needed for intervention and support

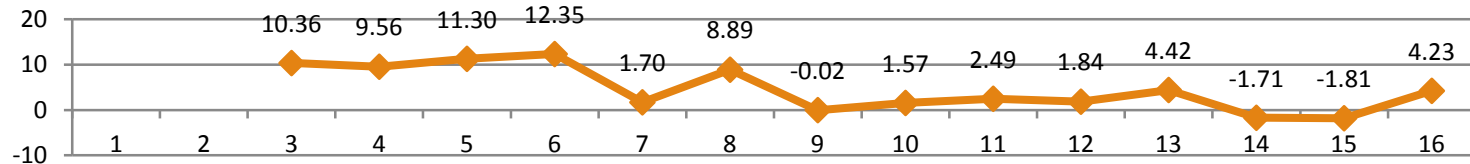


# Employee Benefits

## City of Northampton Health Insurance Expenditures

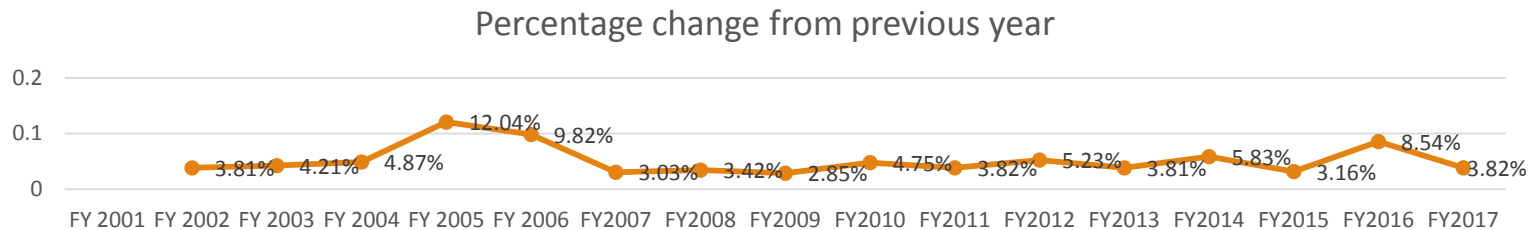
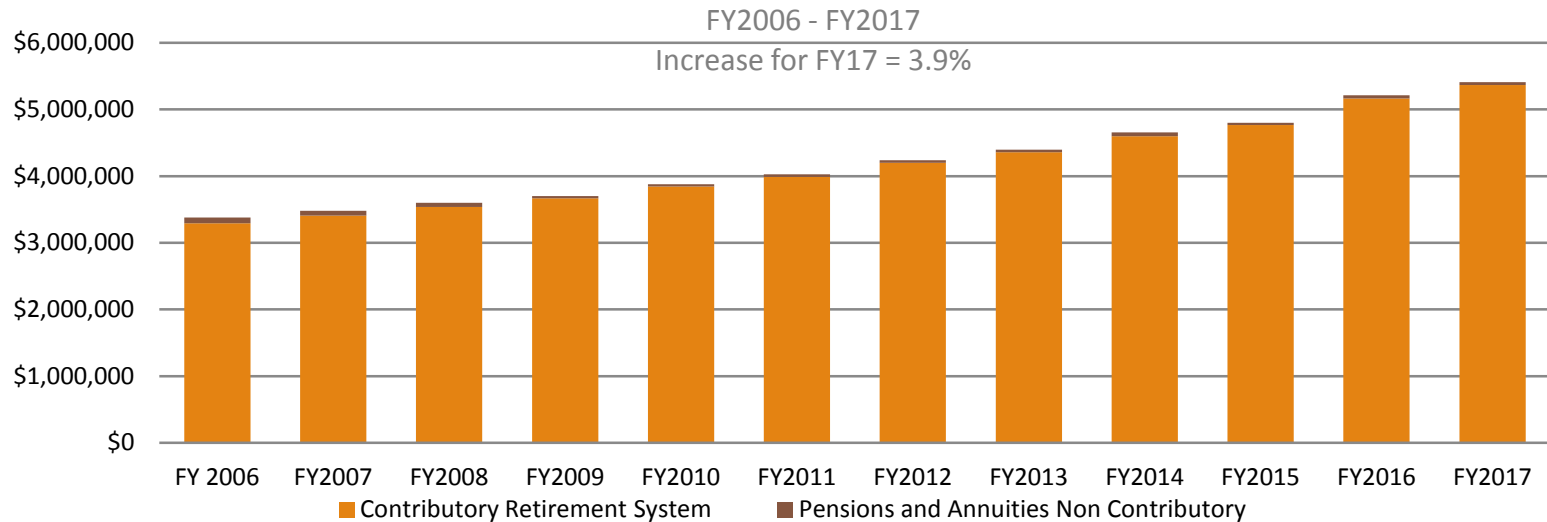


Health Insurance Total Expenditures - percentage change from previous year  
 Five year average increase in actual costs = 1.4%  
 Ten year average increase in actual costs = 2.2%



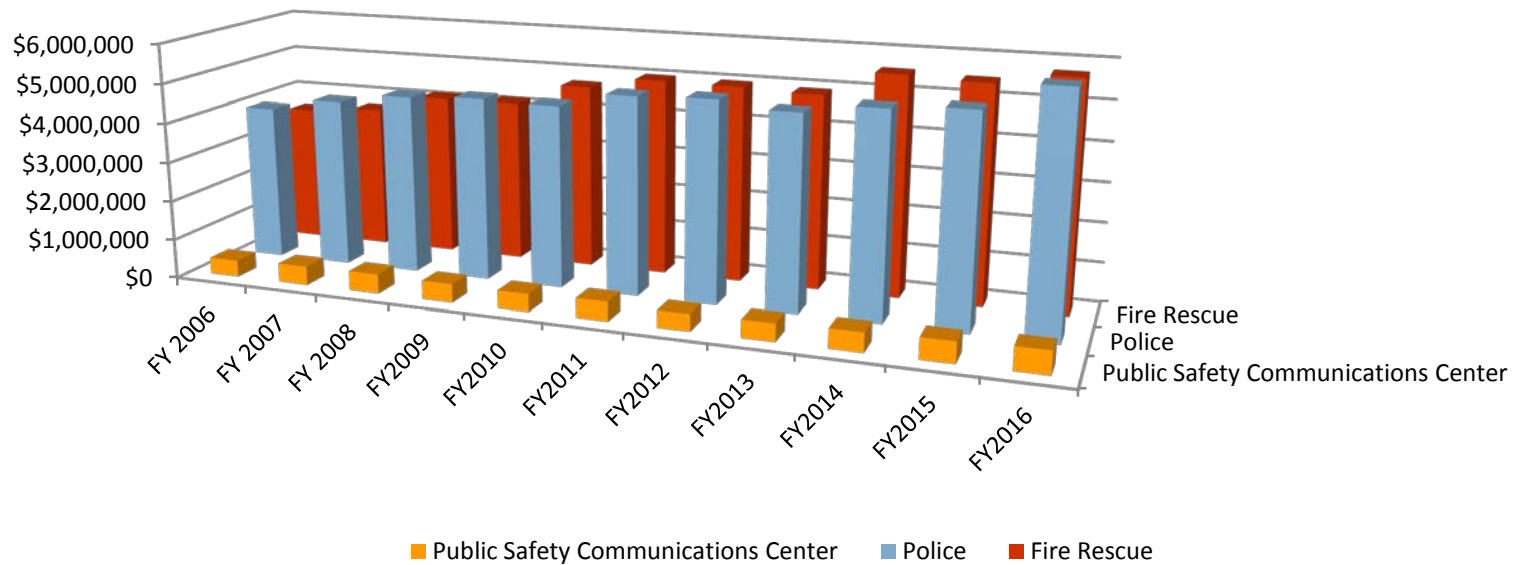
# Employee Benefits

## City of Northampton Retirement Assessment



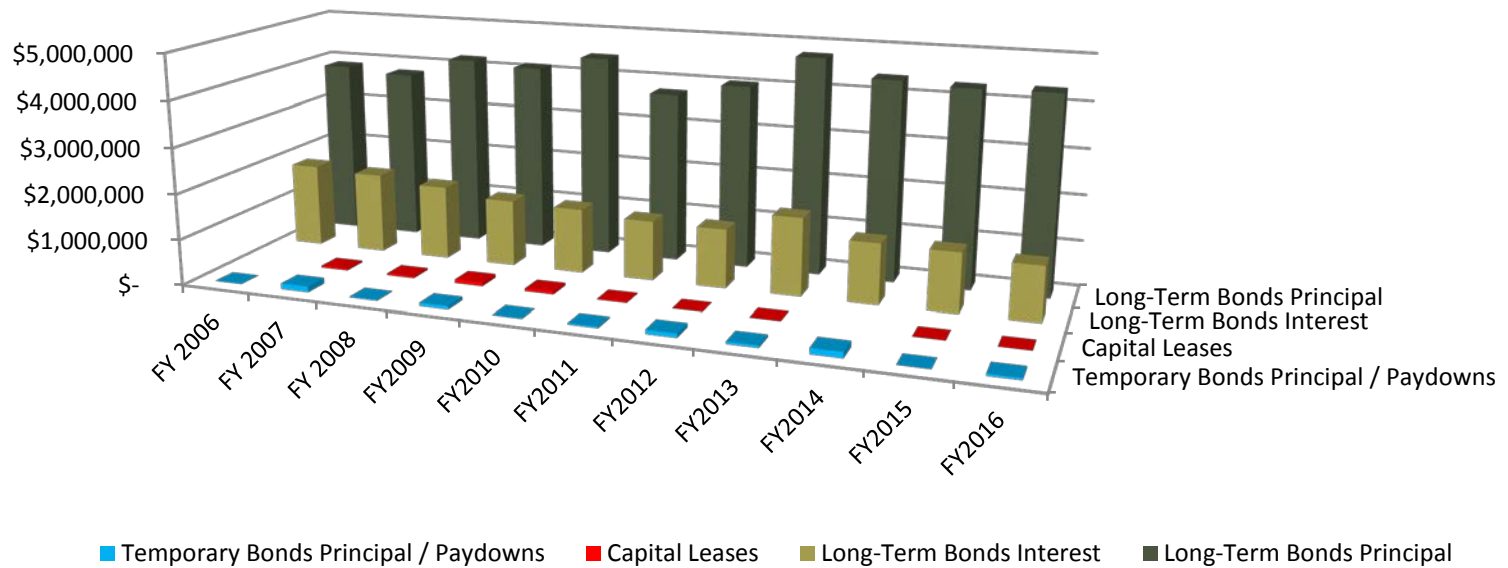
# Public Safety

## City of Northampton Public Safety - Police, Fire Rescue, Dispatch FY2006 - FY2016



# Debt Service

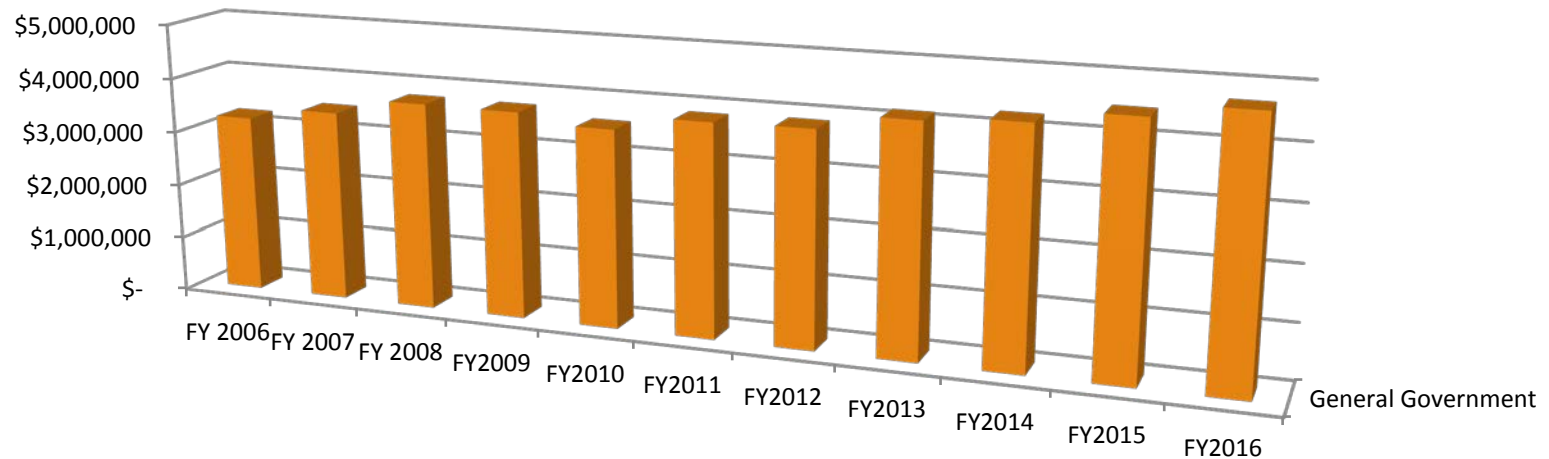
## City of Northampton General Fund Debt Expenditures FY2006 - FY2016



# General Government

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City of Northampton  
**General Government**  
FY2006 - FY2016



# Public Works

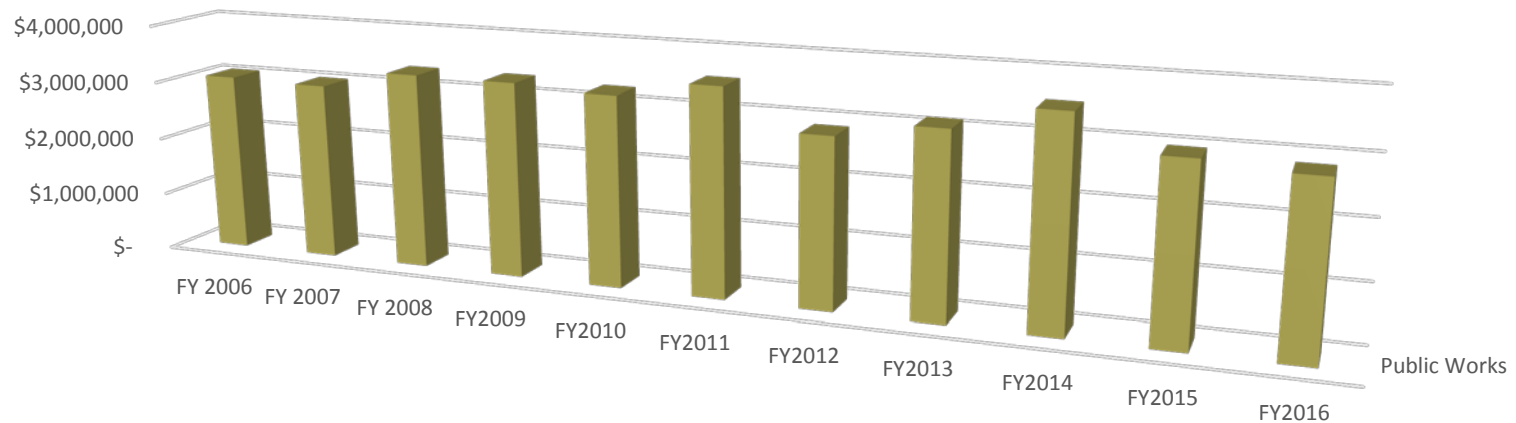
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## City of Northampton Public Works

FY2006 -2016

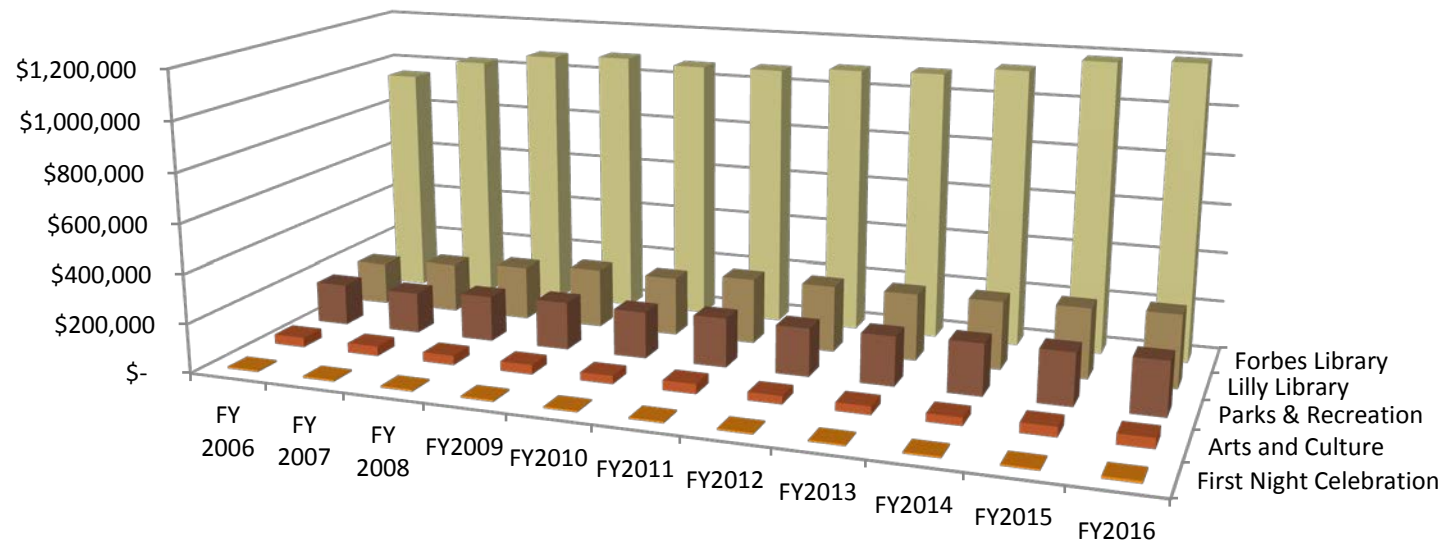
Note: FY2015 Storm Water Enterprise Fund Created

Note: Public Works Does Not Include Water, Sewer, Solid Waste or Storm water



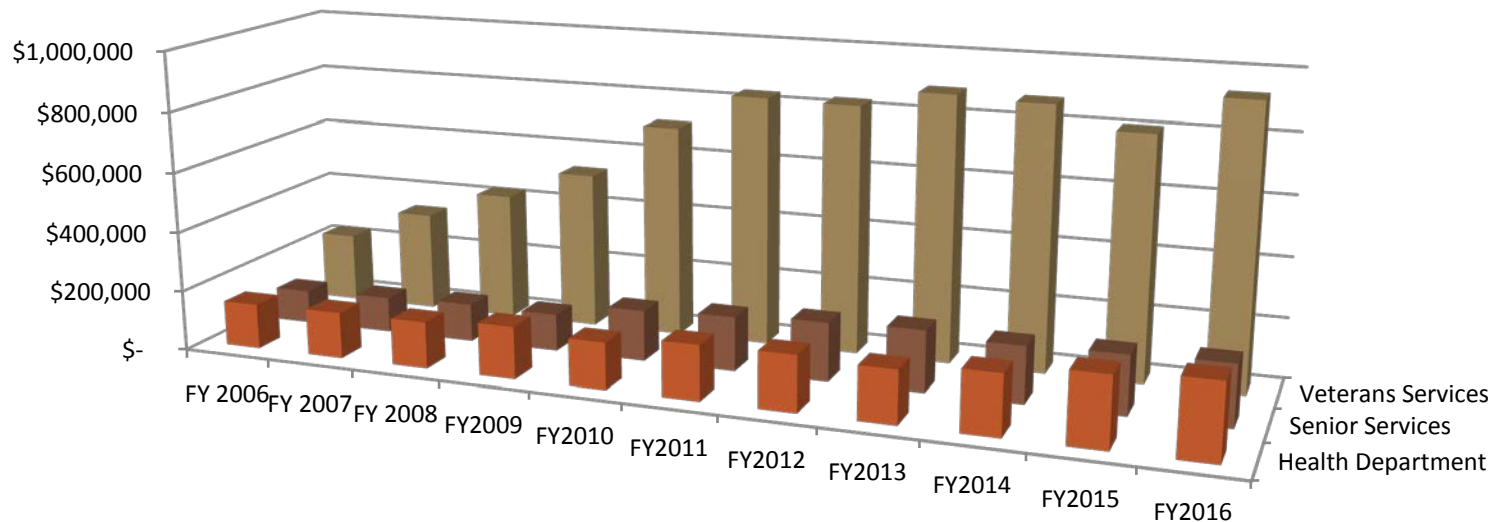
# Culture and Recreation

## City of Northampton Culture and Recreation Spending FY2006 - FY2016



# Human Services

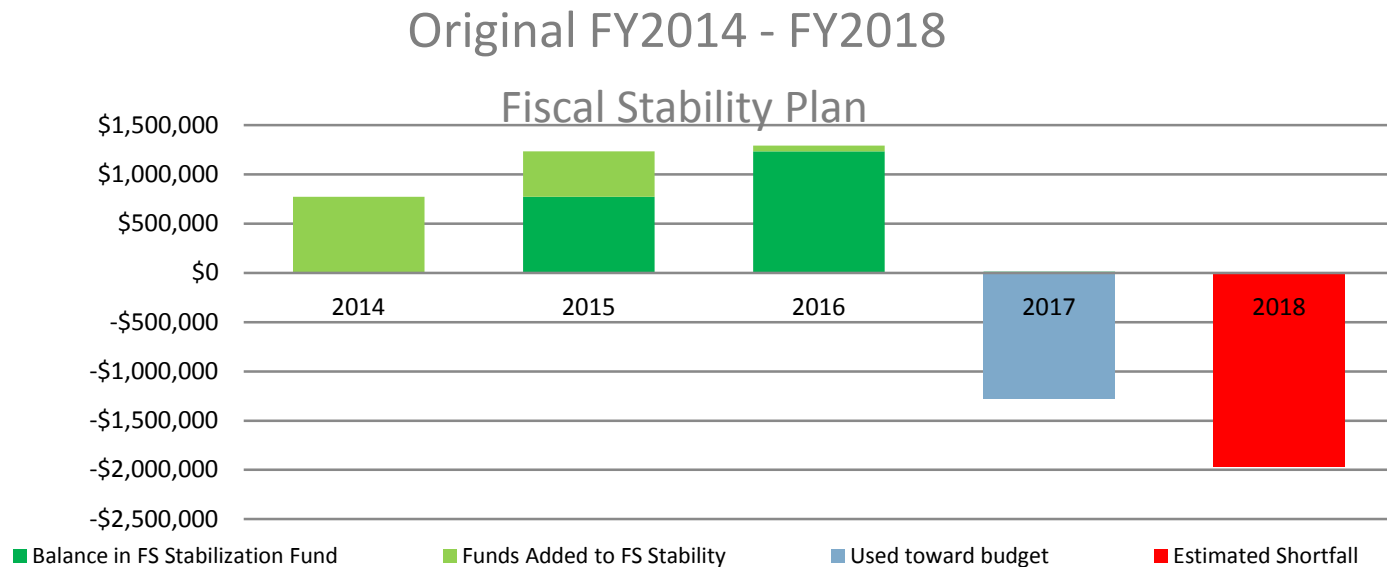
## City of Northampton Human Services Spending FY2006 - FY2016





# Fiscal Stability Plan

In June 2013 voters adopted \$2.5 million operating override as part of multi-year Fiscal Stability Plan that called for no service reductions for four years. Funds would be set aside in FY2014, FY2015 and FY2016 for use in FY2017 to maintain fiscal stability for four straight fiscal years.

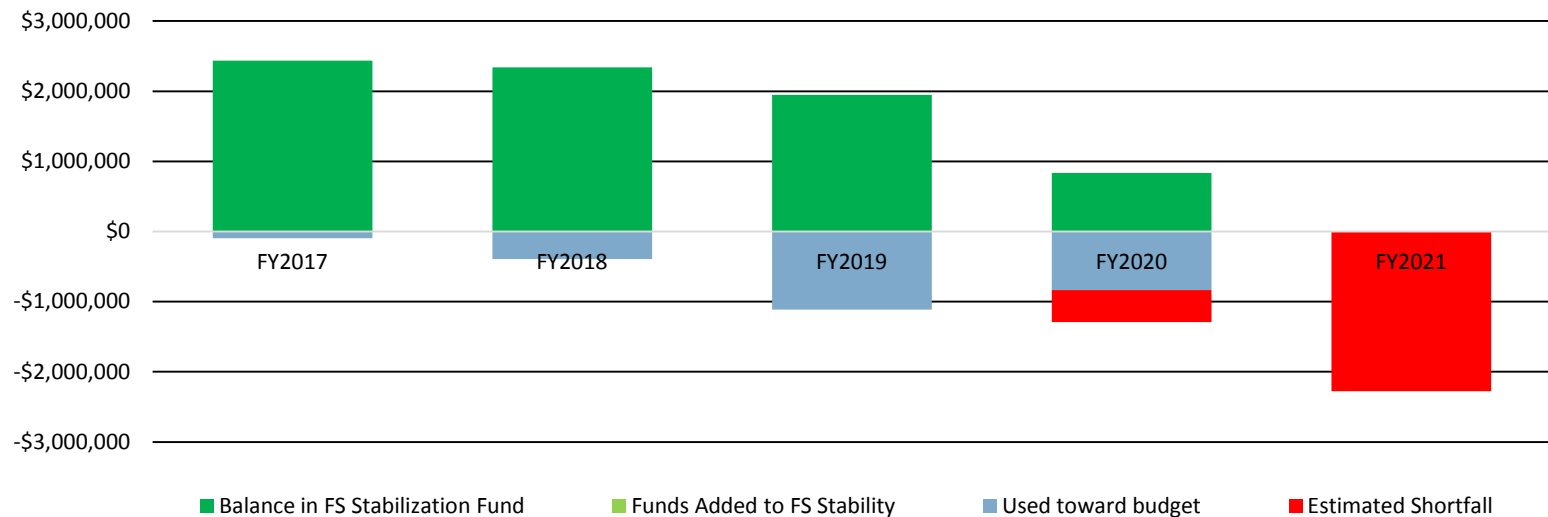


# Fiscal Stability Plan

Since the override was adopted, we have worked hard to extend the period of stability by controlling costs and budgeting revenues conservatively.

FY2017 - FY2021

Preliminary Fiscal Stability Plan



# FY17 Revenue Issues

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Overall, revenue is expected to increase 2% or \$1.7 million

- State Aid:

- Unrestricted General Government Aid up \$174,229 or 4.3%

- Chapter 70 up only \$56,900 or 0.7%

- Charter School Reimbursement down (\$228,402)

Based on the Governor's FY2017 proposed Cherry Sheet we will receive approximately \$3,000 LESS (net charges) than FY2016

# FY17 Expenditure Issues

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## WHAT WE KNOW:

Retirement Assessment – increase of \$199,192 or 3.9% due to funding schedule

PVTA Assessment – increase of \$55,594 or 1.6%

Insurance Increases – Workers Comp increase of \$31,192 or 10%

Other Insurance increases of \$10,950 or 3%

These total approx. \$300,000 of the \$1.7 million in new money leaving \$1.4 million

## WHAT WE DON'T KNOW YET:

Health Insurance

Collective Bargaining

Final State Revenues and Charges

# FY2017 Budget Process Timeline

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**January 28, 2016** – Mayor's Joint meeting of the City Council & School Committee

**February 4, 2016** – Mayor submits proposed Water and Sewer rates to City Council

**March 3, 2016** – Mayor submits 5-year Capital Improvement Program to City Council

**April 17, 2016** – Northampton Public Schools and Smith Vocational & Agricultural High School Adopted Budgets Submitted to the Mayor

**May 17, 2016** – Mayor presents proposed City of Northampton FY2017 Budget to City Council

**May 31, 2016** – Deadline for City Council to hold public hearing and vote on 5-year Capital Improvement Program

**June 30, 2016** – Deadline for City Council to hold a public hearing and vote on proposed FY2017 Budget